JSC HALYK BANK

Condensed Interim Consolidated Financial Information (Unaudited)
For the three months ended 31 March 2014

JSC HALYK BANK

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JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

Management is responsible for the preparation of the condensed interim consolidated financial information that presents fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2014, and the results of its operations, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the condensed interim 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 condensed interim consolidated financial information of the Group comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial information of the Group for the three months ended 31 March 2014 was authorized for issue by the Management Board on 16 May 2014.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2014
Almaty, Kazakhstan

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

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2014 and the related condensed interim consolidated statement of profit or loss and condensed interim consolidated statements of other comprehensive income, changes in equity and cash flows for the three 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 condensed interim consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim 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 condensed interim 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 condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte, LLP

16 May 2014
Almaty, Kazakhstan

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	31 March 2014 (unaudited)	31 December 2013
ASSETS			
Cash and cash equivalents	5	829,814	486,313
Obligatory reserves	6	54,962	44,276
Financial assets at fair value through profit or loss	7, 31	1,737	1,334
Amounts due from credit institutions	8	25,909	25,808
Available-for-sale investment securities	9, 31	373,214	350,552
Precious metals		1,491	16,857
Loans to customers	10, 31	1,524,283	1,482,245
Property and equipment		63,284	63,614
Assets held-for-sale		2,870	2,912
Goodwill		3,085	3,085
Intangible assets		5,376	5,617
Insurance assets	11	18,629	13,379
Other assets	12	14,401	10,422
TOTAL ASSETS		2,919,055	2,506,414
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	2,171,665	1,766,648
Amounts due to credit institutions	14, 31	37,889	107,395
Financial liabilities at fair value through profit or loss	7	135	69
Debt securities issued	15	220,503	189,515
Provisions	16	119	4,163
Deferred tax liability	17	4,116	4,520
Insurance liabilities	11	37,161	29,715
Other liabilities	18	18,532	12,210
Total liabilities		2,490,120	2,114,235
EQUITY			
Share capital	19	143,695	143,695
Share premium reserve		1,461	1,415
Treasury shares		(77,533)	(77,534)
Retained earnings and other reserves		359,976	323,670
		427,599	391,246
Non-controlling interest		1,336	933
Total equity		428,935	392,179
TOTAL LIABILITIES AND EQUITY		2,919,055	2,506,414

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2014
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

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

	Notes	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Interest income	21, 31	51,116	43,062
Interest expense	21, 31	(19,046)	(19,564)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	21	32,070	23,498
Impairment charge	16	(508)	(2,263)
NET INTEREST INCOME		31,562	21,235
Fee and commission income	22	22,006	12,440
Fee and commission expense		(1,958)	(1,519)
Fees and commissions, net		20,048	10,921
Net gain from financial assets and liabilities at fair value through profit or loss	23	412	896
Net realized (loss)/gain from available-for-sale investment securities		(361)	177
Net gain on foreign exchange operations	24	3,136	1,172
Insurance underwriting income	25	3,283	7,079
Other income		840	392
OTHER NON-INTEREST INCOME		7,310	9,716
Operating expenses	26	(13,726)	(13,102)
Recoveries of provisions	16	4,050	442
Insurance claims incurred, net of reinsurance	25	(2,674)	(5,878)
NON-INTEREST EXPENSES		(12,350)	(18,538)
INCOME BEFORE INCOME TAX EXPENSE		46,570	23,334
Income tax expense	17	(8,653)	(4,067)
NET INCOME		37,917	19,267
Attributable to:			
Non-controlling interest		404	105
Preferred shareholders		648	303
Common shareholders		36,865	18,859
		37,917	19,267
Basic earnings per share (in Kazakhstani Tenge)	27	3.38	1.73
Diluted earnings per share (in Kazakhstani Tenge)	27	2.46	0.78

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2013
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Net income		37,917	19,267
Other comprehensive loss			
Items that will not to be subsequently reclassified to profit or loss:			
Gain/(loss) on revaluation of property and equipment, net of tax		97	(48)
Items that may be subsequently reclassified to profit or loss:			
Loss on revaluation of available-for-sale investment securities (net of tax – KZT Nil)		(2,980)	(2,464)
Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil)		361	(177)
Exchange differences on translation of foreign operations (net of tax – KZT Nil)		1,314	(117)
Other comprehensive loss for the period		(1,208)	(2,806)
Total comprehensive income for the period		36,709	16,461
Attributable to:			
Non-controlling interest		403	105
Preferred shareholders		627	259
Common shareholders		35,679	16,097
Total comprehensive income		36,709	16,461

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2014
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
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	-	-	-	-	-	-	-	-	-	37,513	37,513	404	37,917
Other comprehensive income/(loss)	-	-	-	-	-	-	1,314	(2,618)	97	-	(1,207)	(1)	(1,208)
Total comprehensive income/(loss)	-	-	-	-	-	-	1,314	(2,618)	97	37,513	36,306	403	36,709
Treasury shares purchased	-	-	-	(25)	(1)	-	-	-	-	-	(26)	-	(26)
Treasury shares sold	-	-	-	71	2	-	-	-	-	-	73	-	73
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(79)	79	-	-	-
31 March 2014 (unaudited)	83,571	46,891	13,233	1,461	(39,973)	(37,560)	1,916	(828)	13,826	345,062	427,599	1,336	428,935

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
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	-	-	-	-	-	-	-	-	-	19,162	19,162	105	19,267
Other comprehensive loss	-	-	-	-	-	-	(117)	(2,641)	(48)	-	(2,806)	-	(2,806)
Total comprehensive (loss)/income	-	-	-	-	-	-	(117)	(2,641)	(48)	19,162	16,356	105	16,461
Treasury shares purchased	-	-	-	(44)	(18)	-	-	-	-	-	(62)	-	(62)
Treasury shares sold	-	-	-	12	6	-	-	-	-	-	18	-	18
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(133)	133	-	-	-
31 March 2013 (unaudited)	83,571	46,891	13,233	1,464	(39,986)	(41,054)	1,005	6,285	14,573	268,328	354,310	1,746	356,056

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2014
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from cash equivalents and amounts due from credit institutions		1,149	849
Interest received from financial assets at fair value through profit or loss		5	5
Interest received on available-for-sale investment securities		4,289	3,790
Interest received on investments held-to-maturity		-	401
Interest received from loans to customers		39,678	30,436
Interest paid on due to customers		(13,208)	(13,650)
Interest paid on due to credit institutions		(261)	(103)
Interest paid on debt securities issued		(2,726)	(2,723)
Fee and commission received		23,069	13,369
Fee and commission paid		(1,958)	(1,519)
Insurance underwriting income received		6,752	16,284
Ceded insurance share paid		(1,546)	(1,862)
Other income received		840	1,493
Operating expenses paid		(5,221)	(11,331)
Insurance reimbursements paid		(2,689)	(3,999)
Reimbursement of losses due to reinsurance risks received		-	359
Cash flows from operating activities before changes in net operating assets		48,173	31,799
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves		(10,686)	(513)
Financial assets at fair value through profit or loss		(391)	315
Amounts due from credit institutions		(36)	(128)
Precious metals		15,366	52
Loans to customers		(26,526)	(30,577)
Assets held-for-sale		42	-
Insurance assets		(3,696)	(7,591)
Other assets		(4,931)	797
Increase/(decrease) in operating liabilities:			
Amounts due to customers		403,732	62,726
Amounts due to credit institutions		(69,876)	14,621
Financial liabilities at fair value through profit or loss		478	(185)
Insurance liabilities		3,984	6,117
Other liabilities		(699)	(734)
Net cash inflow from operating activities before income tax		354,934	76,699
Income tax paid		(9,057)	(3,614)
Net cash inflow from operating activities		345,877	73,085
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds on sale of available-for-sale investment securities		40,924	48,432
Purchase of available-for-sale investment securities		(43,412)	(52,531)
Purchase and prepayment for property and equipment and intangible assets		(1,056)	(1,400)
Proceeds on sale of property and equipment		128	8
Proceeds from redemption of investments held-to-maturity		-	332
Purchase of investments held-to-maturity		-	(210)
Net cash outflow from investing activities		(3,416)	(5,369)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE THREE MONTHS ENDED 31 MARCH 2014 (UNAUDITED)

(Millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		73	18
Purchase of treasury shares		(26)	(62)
Net cash inflow/(outflow) from financing activities		47	(44)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		993	609
Net change in cash and cash equivalents		343,501	68,281
CASH AND CASH EQUIVALENTS, beginning of the period	5	486,313	534,069
CASH AND CASH EQUIVALENTS, end of the period	5	829,814	602,350

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

16 May 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

16 May 2014
Almaty, Kazakhstan

The notes on pages 10 to 49 form an integral part of this condensed interim consolidated financial information.

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, as well as asset management, insurance, leasing 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 31 March 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 condensed interim 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, and 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.

In 2009, JSC “Sovereign Wealth Fund “Samruk-Kazyna” (“Samruk-Kazyna”), an entity controlled by the Government of the Republic of Kazakhstan, acquired 259,064,909 common shares of the Bank for KZT 26,951 million and 196,232,499 non-convertible preferred shares of the Bank for KZT 33,049 million.

In 2011, the Bank acquired from JSC Almex Holding Group (hereafter – “the Parent”) a call option to purchase 213,000,000 of the Bank’s common shares from Samruk-Kazyna at a fixed strike price of KZT 126.8 per share for KZT 12,867 million and immediately exercised the option and repurchased 213,000,000 of its own common shares from Samruk-Kazyna for KZT 27,008 million.

In 2012, the Bank acquired from the Parent a call option to purchase 196,232,499 of the Bank’s preferred shares from Samruk-Kazyna at a fixed strike price of KZT 179.94 per share for KZT 7,114 million with maturity of the option in May 2014. In June 2012 the Bank partially exercised the option and repurchased 190,000,000 of its own preferred shares from Samruk-Kazyna for KZT 26,991 million.

On 5 July 2012, the Bank repurchased 40,000,000 of its own preferred shares from Samruk-Kazyna at a price of KZT 180.21 per share for KZT 7,208 million. As a result, the Group has recorded KZT 41,054 million as a cost of acquired treasury shares. After the repurchase, Samruk-Kazyna continues owning 6,232,499 preferred shares of the Bank.

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

As at 31 March 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:

	31 March 2014 (unaudited)					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Single Accumulative Pension Fund *	868,889,272	7.8%	709,384,310	6.5%	159,504,962	81.6%
GDR	1,852,499,320	16.7%	1,852,499,320	17.0%	-	–
Other	360,360,422	3.2%	345,102,389	3.1%	15,258,033	7.8%
Total shares in circulation (on consolidated basis)	**11,105,898,082**	**100%**	**10,910,367,519**	**100%**	**195,530,563**	**100%**

	31 December 2013					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan **	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.5%
GDR	2,093,909,040	18.9%	2,093,909,040	19.2%	-	-
Other	228,090,752	2.0%	150,042,269	1.3%	78,048,483	39.9%
Total shares in circulation (on consolidated basis)	**11,104,231,603**	**100%**	**10,908,700,519**	**100%**	**195,531,084**	**100%**

* The transfer of all pension assets under management of the private accumulative pension funds to the Single Accumulated Pension Fund (hereinafter – SAPF) was conducted in accordance with schedule and order approved by the act of the authorized body. As a result, as at 31 March 2014 SAPF held 7.8% of the Bank's shares outstanding on behalf of the 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 31 March 2014, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 397 cash settlement units (31 December 2013 – 22, 122 and 400, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Kazakhstan.

As at 31 March 2014, the number of the Group's full-time employees was 11,034 (31 December 2013 - 11,198).

The interim condensed consolidated financial information of the Group for the 3 months ended 31 March 2014 was authorized for issue by the Management Board on 16 May 2014.

2. BASIS OF PRESENTATION

Accounting basis

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

The condensed interim 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 condensed interim consolidated financial information are adequate to make the information presented not misleading if this condensed interim 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial information includes the following subsidiaries:

Subsidiary	Holding, %		Country	Industry
	31 March 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
LLC 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 31 March 2014, APF completed the transfer of pension assets under its management to the JSC Single accumulative pension fund.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed interim 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 three months ended 31 March 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 condensed interim 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 condensed interim 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:

	31 March 2014 (unaudited)	31 December 2013
Cash on hand	76,608	80,752
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with National Bank of Republic of Kazakhstan ("the NBK")	255,301	83,769
Correspondent accounts with Organization for Economic Co-operation and Development countries ("the OECD") based banks	101,418	91,265
Correspondent accounts with the non-OECD based banks	6,696	2,159
Overnight deposits with the OECD based banks	2,502	59,122
Overnight deposits with the non-OECD based banks	664	24
Short-term deposits with Kazakhstan banks (loans under reverse repurchase agreements)	21,213	32,326
Short-term deposits with the OECD based banks	363,511	135,253
Short-term deposits with the non-OECD based banks	1,901	1,643
	829,814	486,313

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

	31 March 2014 (unaudited)		31 December 2013	
	KZT	Foreign currencies	KZT	Foreign currencies
Overnight deposits with OECD based banks	-	0.3%	-	0.02% - 0.1%
Overnight deposits with non-OECD based banks	-	7. 2% - 7.3%	-	2.3%
Short-term deposits with OECD based banks	-	0.1% - 0.6%	6.9%	0.1% - 0.2%
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 31 March 2014 and 31 December 2013 were as follows:

	31 March 2014 (unaudited)		31 December 2013	
	Carrying value of deposits	**Fair value of collateral**	**Carrying value of deposits**	**Fair value of collateral**
Treasury bills of the Ministry of Finance of Kazakhstan and NBK notes	21,145	23,033	32,279	48,936
Equity securities of Kazakhstan banks	68	98	47	47
	21,213	23,131	32,326	48,983

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

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 March 2014 (unaudited)	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBK allocated to obligatory reserves	54,962	44,276

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 31 March 2014, obligatory reserves of OJSC Halyk Bank Kyrgyzstan, OJSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 823 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:

	31 March 2014 (unaudited)	31 December 2013
Financial assets held for trading:		
Corporate bonds	651	402
Derivative financial instruments	482	391
Bonds of foreign organizations	181	184
Bonds of JSC Development Bank of Kazakhstan	178	139
Bonds of Kazakhstan banks	115	119
Equity securities of Kazakhstan corporations	54	20
Equity securities of Kazakhstan banks	51	61
Equity securities of foreign organizations	25	18
	1,737	1,334

Financial liabilities at fair value through profit or loss comprise:

	31 March 2014 (unaudited)	31 December 2013
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	135	69

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

	31 March 2014 (unaudited) Interest rate	31 December 2013 Interest rate
Corporate bonds	5.7%	5.3%
Bonds of foreign organizations	6.7%	10.0%
Bonds of JSC Development Bank of Kazakhstan	5.3%	5.3%
Bonds of Kazakhstan banks	11.9%	12.3%

Derivative financial instruments comprise:

	31 March 2014 (unaudited)			31 December 2013		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Swaps	22,157	237	135	53,401	122	69
Forwards	-	-	-	15,116	18	-
Options	3,918	245	-	3,961	251	-
		482	135		391	69

As at 31 March 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:

	31 March 2014 (unaudited)	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:		
Loans to credit institutions	16,122	14,322
Term deposits	7,829	8,593
Deposit pledged as collateral for derivative financial instruments	1,958	2,898
	25,909	25,813
Less - Allowance for loan impairment (Note 16)	-	(5)
	25,909	25,808

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

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

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 March 2014 (unaudited)	31 December 2013
Corporate bonds	106,607	91,971
Treasury bills of the Ministry of Finance of Kazakhstan	98,746	98,932
Bonds of foreign organizations	95,481	87,562
Treasury bills of the Russian Federation	27,455	28,909
Bonds of JSC Development Bank of Kazakhstan	19,640	19,363
Bonds of Kazakhstan banks	13,297	13,958
Equity securities of Kazakhstan corporations	4,709	3,075
Local municipal bonds	3,942	4,019
Equity securities of foreign corporations	1,788	1,683
Treasury bills of Georgia	1,284	562
Treasury bills of the Kyrgyz Republic	193	340
Equity securities of Kazakhstan banks	72	156
Mutual investment funds shares	-	22
	373,214	350,552

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 31 March 2014 and 31 December 2013, investments available-for-sale included Treasury bills of the Ministry of Finance of Kazakhstan in the amount of KZT 20,218 million and KZT 73,110 million, respectively, were pledged under repurchase agreements with the other banks (see Note 14).

	31 March 2014 (unaudited)		**31 December 2013**	
	Interest rate	**Maturity, year**	**Interest rate**	**Maturity, year**
Corporate bonds	6.7%	2014-2021	7.0%	2014-2021
Treasury bills of the Ministry of Finance of Kazakhstan	5.1%	2014-2027	4.9%	2014-2027
Bonds of foreign organizations	4.1%	2014-2021	3.9%	2014-2021
Treasury bills of the Russian Federation	2.4%	2015-2018	2.7%	2015-2018
Bonds of JSC Development Bank of Kazakhstan	4.9%	2015-2026	4.9%	2015-2026
Bonds of Kazakhstan banks	10.1%	2014-2023	9.3%	2014-2030
Local municipal bonds	4.9%	2015	4.9%	2015
Treasury bills of Georgia	12.7%	2016-2024	12.8%	2016-2017
Treasury bills of the Kyrgyz Republic	9.5%	2014	8.9%	2014

10. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 March 2014 (unaudited)	**31 December 2013**
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	1,873,842	1,803,471
Overdrafts	889	2,085
	1,874,731	1,805,556
Less – Allowance for loan impairment losses (Note 16)	(350,448)	(323,311)
Loans to customers	1,524,283	1,482,245

Average interest rate on loans to customers is calculated as interest income divided by average balances of loans to customers. For the period ended 31 March 2014, average interest rate on loans was 11.8% (for the year ended 31 December 2013 – 11.7%)

As at 31 March 2014, the Group's loan concentration to the ten largest borrowers was KZT 408,221 million, which comprised 22% of the Group's total gross loan portfolio (as at 31 December 2013 – KZT 367,782 million; 20%) and 95% of the Group's total equity (as at 31 December 2013 – 94%).

As at 31 March 2014, the allowance for loan impairment losses amounting to KZT 67,252 million was created against these loans (as at 31 December 2013 – KZT 51,189 million).

Loans are granted to the following sectors:

	31 March 2014 (unaudited)	Share	31 December 2013	Share
Retail loans:				
- consumer loans	289,775	15%	291,471	16%
- mortgage loans	114,265	6%	107,062	6%
	404,040		398,533	
Wholesale trade	343,039	18%	341,489	19%
Services	255,676	14%	233,492	13%
Construction	166,173	9%	163,615	9%
Real estate	146,221	8%	137,200	8%
Retail trade	126,227	7%	117,816	7%
Financial services	112,186	6%	94,702	5%
Agriculture	96,293	5%	84,934	5%
Mining	44,159	2%	38,050	2%
Transportation	41,605	2%	40,145	2%
Food industry	32,844	2%	33,929	2%
Hotel industry	31,845	2%	31,549	2%
Metallurgy	23,070	1%	39,276	2%
Chemical industry	11,348	1%	10,604	1%
Machinery	8,119	1%	7,878	0%
Oil and gas	5,903	0%	6,005	0%
Light industry	4,269	0%	4,503	0%
Energy	2,557	0%	3,403	0%
Communication	435	0%	339	0%
Other	18,722	1%	18,094	1%
	1,874,731	100%	1,805,556	100%

As at 31 March 2014 the amount of accrued interest on loans comprised KZT 131,415 million (as at 31 December 2013 – KZT 114,178 million).

11. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	31 March 2014 (unaudited)	31 December 2013
Reinsurance premium unearned	8,970	7,424
Reinsurance amounts recoverable	3,192	3,184
	12,162	10,608
Premiums receivable	6,467	2,771
Insurance assets	18,629	13,379

Insurance liabilities comprised the following:

	31 March 2014 (unaudited)	31 December 2013
Reserves for insurance claims	16,202	16,209
Gross unearned insurance premium reserve	14,265	10,796
	30,467	27,005
Payables to reinsurers and agents	6,694	2,710
Insurance liabilities	37,161	29,715

12. OTHER ASSETS

Other assets comprise:

	31 March 2014 (unaudited)	31 December 2013
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	7,095	6,293
Accrued commission for managing pension assets	-	1,204
Debtors on non-banking activities	3,938	891
Accrued other commission income	899	758
Other	24	9
	11,956	9,155
Less – Allowance for impairment (Note 16)	(4,777)	(5,176)
	7,179	3,979
Other non financial assets:		
Corporate income tax prepaid	1,614	1,344
Inventory	1,181	1,367
Prepayments for property and equipment	1,120	1,009
Advances for taxes other than income tax	1,064	623
Investment property	1,056	907
Deferred income tax asset (Note 17)	544	301
Investments in associates	25	24
Other	618	868
	7,222	6,433
	14,401	10,422

As at 31 March 2014 and 31 December 2013, 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 31 March 2014 and 31 December 2013, such prepayment was accounted in “debtors on banking activities” item. 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:

	31 March 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Term deposits:		
Individuals	739,781	644,732
Legal entities	491,046	557,059
	1,230,827	1,201,791
Current accounts:		
Legal entities	786,953	399,153
Individuals	153,885	165,704
	940,838	564,857
	2,171,665	1,766,648

As at 31 March 2014, the Group's ten largest groups of related customers accounted for approximately 40% 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:

	31 March 2014 (unaudited)	Share	31 December 2013	Share
Individuals and entrepreneurs	893,666	41%	810,436	46%
Oil and gas	418,397	19%	306,889	17%
Energy	260,625	12%	12,424	1%
Other consumer services	116,882	5%	145,597	8%
Wholesale trade	87,049	4%	83,703	5%
Transportation	72,077	3%	80,322	5%
Financial sector	65,912	3%	52,624	3%
Construction	63,523	3%	69,094	4%
Healthcare and social services	39,104	2%	7,771	0%
Government	22,628	1%	36,796	2%
Education	22,407	1%	17,332	1%
Insurance and pension funds activity	16,917	1%	31,176	2%
Metallurgy	15,595	1%	13,949	1%
Communication	11,062	1%	11,376	0%
Other	65,821	3%	87,159	5%
	2,171,665	100%	1,766,648	100%

14. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 March 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks	23,360	81,786
Loans and deposits from OECD based banks	4,450	3,831
Correspondent accounts	3,943	2,628
Loans from other financial institutions	3,698	1,916
Loans and deposits from non-OECD based banks	2,438	8,623
Overnight deposits	-	8,611
	37,889	107,395

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

	31 March 2014 (unaudited)		31 December 2013	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Loans and deposits from Kazakhstan banks	3.6%-3.8%	2014	0.5%-5.0%	2014
Loans and deposits from OECD based banks	0.9%-6.5%	2016-2023	1.0%-6.5%	2016-2023
Loans from other financial institutions	2.1%-6.0%	2014-2018	2.6%-6.0%	2014-2018
Loans and deposits from non-OECD based banks	1.5%-4.0%	2014	0.6%-4.5%	2014
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 31 March 2014 and 31 December 2013 are presented as follows:

	31 March 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	20,218	18,433	73,110	67,804
	20,218	18,433	73,110	67,804

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

	Investments available-for-sale (Note 9)
As at 31 March 2014:	
Carrying amount of transferred assets	20,218
Carrying amount of associated liabilities	18,433
As at 31 December 2013:	
Carrying amount of transferred assets	73,110
Carrying amount of associated liabilities	67,804

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. 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 31 March 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 comprise:

	31 March 2014 (unaudited)	31 December 2013
Recorded at amortized cost:		
Subordinated debt securities issued:		
Fixed rate KZT denominated bonds	11,953	11,755
Reverse inflation indexed KZT denominated bonds	8,676	8,489
Inflation indexed KZT denominated bonds	4,007	3,941
Total subordinated debt securities outstanding	24,636	24,185
Unsubordinated debt securities issued:		
USD denominated bonds	195,867	165,330
Total unsubordinated debt securities outstanding	195,867	165,330
Total debt securities outstanding	220,503	189,515

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

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

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 and 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 of 31 March 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**
31 December 2012	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(1,909)	-	-	(354)	(2,263)
Write-offs	142	-	-	77	219
Foreign exchange differences	11	-	-	6	17
31 March 2013 (unaudited)	(304,682)	(2)	(999)	(2,660)	(308,343)
31 December 2013	(323,311)	(5)	(1,040)	(5,176)	(329,532)
(Additional provisions recognized)/recovery of provision	(453)	-	(499)	444	(508)
Write-offs	152	5		2	159
Foreign exchange differences	(26,836)	-	(2)	(47)	(26,885)
31 March 2014 (unaudited)	(350,448)	-	(1,541)	(4,777)	(356,766)

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

	Three months ended 31 March 2014 (unaudited)	**Three months ended 31 March 2013 (unaudited)**
At the beginning of the period	(4,163)	(4,385)
Provisioning	(40)	(2,182)
Recoveries of provisions	4,090	2,624
Foreign exchange differences	(6)	28
At the end of the period	(119)	(3,915)

17. TAXATION

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

The income tax expense comprises:

	Three months ended 31 March 2014 (unaudited)	**Three months ended 31 March 2013 (unaudited)**
Current tax charge	9,304	2,596
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	(651)	1,471
Income tax expense	8,653	4,067

The tax rate for Kazakhstan companies was 20% during the three months ended 31 March 2014 and the year ended 31 December 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:

	31 March 2014 (unaudited)	**31 December 2013**
Tax effect of deductible temporary differences:		
Interest expense accrued, but not paid	3,053	2,788
Bonuses accrued	1,341	1,122
Unused vacation reserve	275	241
Insurance premium reserves	97	-
Other	53	94
Deferred tax asset	4,819	4,245
Tax effect of taxable temporary differences:		
Dynamic provisions	(3,077)	(3,115)
Property and equipment, accrued depreciation	(4,714)	(4,681)
Fair value of derivatives and investments available-for-sale	(448)	(393)
Reserve on revaluation of financial instruments	(100)	-
Other	(52)	(275)
Deferred tax liability	(8,391)	(8,464)
Net deferred tax liability	(3,572)	(4,219)

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:

	31 March 2014 (unaudited)	31 December 2013
Deferred tax asset (Note 12)	544	301
Deferred tax liability	(4,116)	(4,520)
Net deferred tax liability	(3,572)	(4,219)

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 others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing 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 differing positions with regard to interpretive issues.

18. OTHER LIABILITIES

Other liabilities comprise:

	31 March 2014 (unaudited)	31 December 2013
Other financial liabilities:		
Salary payable, bonuses accrued and unused vacation reserve	7,974	6,274
Payables to suppliers	954	608
Creditors on bank activities	473	602
Creditors on non-banking activities	168	696
Other	34	68
	9,603	8,248
Other non financial liabilities:		
Current income tax payable	6,336	2,257
Taxes payable other than income tax	1,746	1,361
Other prepayments received	847	344
	18,532	12,210

19. EQUITY

Authorized, issued and fully paid number of shares as at 31 March 2014 and 2013 were as follows:

31 March 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	(218,150,932)	10,910,367,519
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(194,326,117)	115,533,313
Convertible preferred shares	80,225,222	-	80,225,222	(227,972)	79,997,250

31 March 2013 (unaudited)

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	24,000,000,000	(12,871,481,549)	11,128,518,451	(221,764,450)	10,906,754,001
Non-convertible preferred shares	600,000,000	(290,140,570)	309,859,430	(214,146,931)	95,712,499
Convertible preferred shares	80,225,222	-	80,225,222	(567,568)	79,657,654

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2012	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchases of treasury shares	(1,795,868)	-	(67,000)	(18)	-	-
Sale of treasury shares	588,214	-	-	6	-	-
31 March 2013 (unaudited)	10,906,754,001	95,712,499	79,657,654	43,585	5,837	13,233
31 December 2013	10,908,700,519	115,533,834	79,997,250	43,597	9,331	13,233
Purchases of treasury shares	(629,770)	(521)	-	(1)	-	-
Sale of treasury shares	2,296,770	-	-	2	-	-
31 March 2014 (unaudited)	10,910,367,519	115,533,313	79,997,250	43,598	9,331	13,233

Common shares

At 31 March 2014, the Group held 218,150,932 of the Group’s common shares as treasury shares at KZT 39,973 million (31 March 2013 – 221,764,450 shares at KZT 39,986 million).

Each common share is entitled to one vote and dividends.

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 on 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 31 March 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:

	31 March 2014 (unaudited)	**31 December 2013**
Guarantees issued	140,888	156,699
Commercial letters of credit	10,747	12,093
Commitments to extend credit	15,605	13,810
Financial commitments and contingencies	167,240	182,602
Less: cash collateral against letters of credit	(4,112)	(6,249)
Less: provisions (Note 16)	(119)	(4,163)
Financial commitments and contingencies, net	163,009	172,190

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 31 March 2014, the ten largest guarantees accounted for 86% of the Group's total financial guarantees (as at 31 December 2013 – 83%) and represented 28% 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 31 March 2014, the ten largest unsecured letters of credit accounted for 62% of the Group's total commercial letters of credit (31 December 2013 – 49%) and represented 2% 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 31 March 2014 and 31 December 2013.

Operating lease commitments

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

21. NET INTEREST INCOME

	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired assets	25,113	21,711
- interest income on unimpaired assets	21,150	17,328
Interest income on available-for-sale investment securities	4,836	4,015
Interest income on financial assets at fair value through profit or loss	17	8
Total interest income	51,116	43,062
Interest income on financial assets recorded at amortized cost comprises:		
Interest income on loans to customers	44,612	37,441
Interest income on investments held-to-maturity	437	747
Interest income on amounts due from credit institutions and cash and cash equivalents	1,214	851
Total interest income on financial assets recorded at amortized cost	46,263	39,039
Interest income on financial assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	17	8
Total interest income on financial assets at fair value through profit or loss	17	8
Interest income on available-for-sale investment securities	4,836	4,015
Total interest income	51,116	43,062
Interest expense comprises:		
Interest expense on financial liabilities recorded at amortized cost	(19,046)	(19,564)
Total interest expense	(19,046)	(19,564)
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest expense on amounts due to customers	(14,493)	(13,362)
Interest expense on debt securities issued	(3,922)	(6,094)
Interest expense on amounts due to credit institutions	(631)	(108)
Total interest expense on financial liabilities recorded at amortized cost	(19,046)	(19,564)
Net interest income before impairment charge	32,070	23,498

22. FEES AND COMMISSIONS

Fee and commission income was derived from the following sources:

	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Pension fund and asset management	11,865	3,524
Bank transfers - settlements	2,259	2,178
Payment cards maintenance	1,799	1,328
Cash operations	1,742	1,447
Bank transfers – salary projects	1,413	1,312
Servicing customers' pension payments	1,181	1,027
Letters of credit and guarantees issued	847	746
Maintenance of customer accounts	244	441
Other	656	437
	22,006	12,440

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

	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Investment income from management of pension assets	10,259	2,070
Income from administration of pension assets	1,606	1,454
	11,865	3,524

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

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

	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Net gain on operations with financial assets and liabilities classified as held for trading:		
Net unrealized (loss)/gain on trading operations	(7)	561
Net gain on derivative operations	241	370
Realized gain/(loss) on trading operations	178	(35)
Total net gain on operations with financial assets and liabilities classified as held for trading	412	896

24. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Three months ended 31 March 2014 (unaudited)	**Three months ended 31 March 2013 (unaudited)**
Translation differences, net	4,057	30
Dealing, net	(921)	1,142
	3,136	1,172

25. INSURANCE UNDERWRITING INCOME

Insurance underwriting income/expense comprised:

	Three months ended 31 March 2014 (unaudited)	**Three months ended 31 March 2013 (unaudited)**
Insurance premiums written, gross	8,474	15,679
Change in unearned insurance premiums, net	(2,051)	(3,385)
Ceded reinsurance share	(3,140)	(5,215)
	3,283	7,079
Insurance payments	(2,580)	(1,703)
Insurance reserves expenses	(47)	(3,947)
Commissions to agents	(47)	(228)
	(2,674)	(5,878)
Total insurance income	609	1,201

26. OPERATING EXPENSES

Operating expenses comprised:

	Three months ended 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Salaries and other employee benefits	8,040	8,241
Depreciation and amortization expenses	1,484	1,570
Taxes other than income tax	680	511
Professional services	517	37
Communication	385	312
Security	369	357
Utilities expenses	357	338
Repairs and maintenance	315	235
Rent	311	299
Information services	236	186
Business trip expenses	157	108
Stationery and office supplies	156	154
Advertisement	149	193
Insurance agents fees	130	192
Transportation	113	120
Charity	31	8
Expenses from sale of property and equipment and intangible assets	14	20
Hospitality expenses	8	9
Social events	7	9
Other	267	203
	13,726	13,102

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, and as described in Note 19, 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 31 March 2014 (unaudited)	Three months ended 31 March 2013 (unaudited)
Basic earnings per share		
Net income for the period attributable to shareholders of the Parent	37,513	19,162
Less: Additional dividends that would be paid on full distribution of profit to the preferred shareholders	(660)	(303)
Earnings attributable to common shareholders	36,853	18,859
Weighted average number of common shares for the purposes of basic earnings per share	10,909,787,212	10,907,539,176
Basic earnings per share (in Kazakhstani Tenge)	3.38	1.73
Diluted earnings per share		
Earnings used in the calculation of basic earnings per share	36,853	18,859
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders	270	138
Less: Amounts payable to convertible preferred shareholders upon conversion	(10,105)	(10,425)
Earnings used in the calculation of total diluted earnings per share	27,018	8,572
Weighted average number of common shares for the purposes of basic earnings per share	10,909,787,212	10,907,539,176
Shares deemed to be issued:		
Weighted average number of common shares that would be issued for the convertible preferred shares	79,997,250	79,657,631
Weighted average number of common shares for the purposes of diluted earnings per share	10,989,784,462	10,987,196,807
Diluted earnings per share (in Kazakhstani Tenge)	2.46	0.78

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

		31 March 2014 (unaudited)	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	10,910,367,519	399,758	36,64
Non-convertible preferred	115,533,313	10,510	90.97
Convertible preferred	79,997,250	13,291	166.14
		423,559	

		31 December 2013	
Class of shares	**Outstanding shares**	**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
		386,562	

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 exposure to foreign currency exchange rate risk follows:

	31 March 2014 (unaudited)				
	KZT	**USD**	**Euro**	**Other currencies**	**Total**
FINANCIAL ASSETS:					
Cash and cash equivalents	58,526	732,658	25,318	13,312	829,814
Obligatory reserves	19,096	33,981	738	1,147	54,962
Financial assets at fair value through profit or loss	1,066	580	-	91	1,737
Amounts due from credit institutions	21,351	4,558	-	-	25,909
Available-for-sale investment securities	172,095	197,501	-	3,618	373,214
Loans to customers	965,189	542,196	3,007	13,891	1,524,283
Other financial assets	6,495	503	67	114	7,179
	1,243,818	1,511,977	29,130	32,173	2,817,098
FINANCIAL LIABILITIES:					
Amounts due to customers	793,628	1,330,370	31,750	15,917	2,171,665
Amounts due to credit institutions	23,916	13,248	495	230	37,889
Financial liabilities at fair value through profit or loss	135	-	-	-	135
Debt securities issued	24,636	195,867	-	-	220,503
Other financial liabilities	9,369	26	56	152	9,603
	851,684	1,539,511	32,301	16,299	2,439,795
Net balance sheet position	392,134	(27,534)	(3,171)	15,874	377,303

	31 December 2013				
	KZT	**USD**	**Euro**	**Other currencies**	**Total**
FINANCIAL ASSETS:					
Cash and cash equivalents	160,380	289,034	22,138	14,761	486,313
Obligatory reserves	23,693	19,313	583	687	44,276
Financial assets at fair value through profit or loss	806	478	-	50	1,334
Amounts due from credit institutions	23,293	2,515	-	-	25,808
Available-for-sale investment securities	174,393	173,354	-	2,805	350,552
Loans to customers	973,606	493,463	3,056	12,120	1,482,245
Other financial assets	3,534	247	47	151	3,979
	1,359,705	978,404	25,824	30,574	2,394,507
FINANCIAL LIABILITIES:					
Amounts due to customers	984,705	734,130	25,063	22,750	1,766,648
Amounts due to credit institutions	78,607	28,172	474	142	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	69
Debt securities issued	24,184	162,055	-	3,276	189,515
Other financial liabilities	8,051	25	58	114	8,248
	1,095,616	924,382	25,595	26,282	2,071,875
Net balance sheet position	264,089	54,022	229	4,292	322,632

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 only in respect to balance sheet items, excluding off-balance sheet items. The actual sensitivity of the Group to fluctuations in exchange rates will be lower due to the fact that off-balance sheet position substantially neutralizes the balance sheet position.

Liquidity Risk

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

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

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

	31 March 2014 (unaudited)					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	729,678	100,136	-	-	-	829,814
Obligatory reserves	31,159	4,603	14,133	2,708	2,359	54,962
Financial assets at fair value through profit or loss	1,737	-	-	-	-	1,737
Amounts due from credit institutions	3,879	32	5,231	16,767	-	25,909
Available-for-sale investment securities	10,128	9,406	15,079	247,990	90,611	373,214
Loans to customers	135,196	124,355	954,167	239,439	71,126	1,524,283
Other financial assets	3,428	147	352	3,135	117	7,179
	915,205	238,679	988,962	510,039	164,213	2,817,098
FINANCIAL LIABILITIES:						
Amounts due to customers	1,212,906	233,920	632,131	60,706	32,002	2,171,665
Amounts due to credit institutions	29,678	344	2,138	1,943	3,786	37,889
Financial liabilities at fair value through profit or loss	135	-	-	-	-	135
Debt securities issued	307	3,666	4,987	125,829	85,714	220,503
Other financial liabilities	8,880	416	282	25	-	9,603
	1,251,906	238,346	639,538	188,503	121,502	2,439,795
Net position	(336,701)	333	349,424	321,536	42,711	
Accumulated gap	(336,701)	(336,368)	13,056	334,592	377,303	

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

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in a ten month 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 – representing 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 – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

Other – representing 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 three months ended 31 March 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 31 March 2014 and 2013 and for the three months then ended is set out below:

	Retail banking	Corporate banking	Other	Total
As at 31 March 2014 and for the three months then ended (unaudited)				
External revenues	36,795	43,513	4,535	84,843
Total revenues	36,795	43,513	4,535	84,843
Total revenues comprise:				
- Interest income	16,397	34,719	-	51,116
- Fee and commission income	19,147	2,859	-	22,006
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	412	412
- Net gain on foreign exchange operations	1,251	1,885	-	3,136
- Recovery of provision	-	4,050	-	4,050
- Insurance underwriting income and other income	-	-	4,123	4,123
Total revenues	36,795	43,513	4,535	84,843
- Interest expense on amounts due to customers	(10,537)	(3,956)	-	(14,493)
- Impairment charge	(2,175)	1,667	-	(508)
- Fee and commission expense	(268)	(1,690)	-	(1,958)
- Salaries and other employee benefits	(1,558)	(6,482)	-	(8,040)
- Advertisement expenses	(149)	-	-	(149)
- Net realized loss from available-for-sale investment securities	-	-	(361)	(361)
Segment result	22,108	33,052	4,174	59,334
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(4,552)
- Insurance claims incurred, net of reinsurance				(2,674)
- Unallocated operating expenses				(5,538)
Income before income tax expense				46,570
Income tax expense				(8,653)
Net Income				37,917
Total segment assets	424,398	1,955,607	374,976	2,754,981
Unallocated assets				164,074
Total assets				2,919,055
Total segment liabilities	(893,666)	(1,277,999)	(119)	(2,171,784)
Unallocated liabilities				(318,336)
Total liabilities				(2,490,120)
Other segment items:				
Capital expenditure (unallocated)				(1,056)
Depreciation and amortization expense (unallocated)				(1,484)

	Retail banking	Corporate banking	Other	Total
As at 31 March 2013 and for the three months then ended (unaudited)				
External revenues	18,981	38,135	8,544	65,660
Total revenues	18,981	38,135	8,544	65,660
Total revenues comprise:				
- Interest income	13,202	29,860	-	43,062
- Fee and commission income	5,306	7,134	-	12,440
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	896	896
- Net realized gain from available-for-sale investment securities	-	-	177	177
- Net gain on foreign exchange operations	473	699	-	1,172
- Insurance underwriting income and other income	-	-	7,471	7,471
- Recovery of provision	-	442	-	442
Total revenues	18,981	38,135	8,544	65,660
- Interest expense on amounts due to customers	(9,635)	(3,727)	-	(13,362)
- Impairment charge	(123)	(2,140)	-	(2,263)
- Fee and commission expense	(307)	(1,212)	-	(1,519)
- Salaries and other employee benefits	(1,679)	(6,562)	-	(8,241)
- Advertisement expenses	(193)	-	-	(193)
Segment result	7,044	24,494	8,544	40,082
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(6,203)
- Insurance claims incurred, net of reinsurance				(5,878)
- Unallocated operating expenses				(4,667)
Income before income tax expense				23,334
Income tax expense				(4,067)
Net income				19,267
Total segment assets	367,652	1,622,548	363,880	2,354,080
Unallocated assets				164,203
Total assets				2,518,283
Total segment liabilities	(747,758)	(1,013,681)	(3,915)	(1,765,354)
Unallocated liabilities				(396,873)
Total liabilities				(2,162,227)
Other segment items:				
Capital expenditure (unallocated)				(1,400)
Depreciation and amortization expense (unallocated)				(1,570)

Geographical information

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

	Kazakhstan	OECD	Non-OECD	Total
31 March 2014 (unaudited)				
Total assets	2,284,996	528,711	105,348	2,919,055
31 December 2013				
Total assets	2,071,205	333,259	101,950	2,506,414
Three months ended 31 March 2014 (unaudited)				
External revenues	81,982	944	1,917	84,843
Capital expenditure	(1,056)	-	-	(1,056)
Three months ended 31 March 2013 (unaudited)				
External revenues	63,425	857	1,378	65,660
Capital expenditure	(1,400)	-	-	(1,400)

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

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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 31March 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 March 2014	31 December 2013				
Non-derivative financial assets at fair value through profit or loss (Note 7)	1,444	1,025	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 7)	48	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)	245	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)	(135)	(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)	369,719	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)	2,393	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 three months ended 31 March 2014 nd 2013.

	Available-for-sale investment securities Unquoted equity securities (Level 3)
31 December 2012	1,242
Total gains or losses	(41)
- to profit or loss	(27)
- in other comprehensive income	(14)
Redemption/sale	(78)
31 March 2013	1,082
31 December 2013	1,123
Total gains or losses	-
Redemption/sale	(21)
31 March 2014	1,102

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 31 March 2014 and 31 December 2013 with related parties:

	31 March 2014 (unaudited)		**31 December 2013**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers before allowance for impairment losses	6,599	1,874,731	6,852	1,805,556
- entities with joint control or significant influence over the entity	5,903		5,948	
- other related parties	696		904	
Allowance for impairment losses	(85)	(350,448)	(216)	(323,311)
- entities with joint control or significant influence over the entity	(73)		(202)	
- other related parties	(12)		(14)	
Amounts due to customers	107,090	2,171,665	101,562	1,766,648
- the parent	66,909		60,184	
- entities with joint control or significant influence over the entity	28,595		33,546	
- associates	50		27	
- key management personnel of the entity or its Parent	3,036		2,602	
- other related parties	8,500		5,203	

Included in the interim consolidated income statement and in the interim statement of other comprehensive income for the three months ended 31 March 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	Three months ended 31 March 2014 (unaudited)		Three months ended 31 March 2013 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	164	51,116	230	43,062
- entities with joint control or significant influence over the entity	154		202	
- other related parties	10		28	
Interest expense	(1,022)	(19,046)	(695)	(19,564)
- the Parent	(962)		(651)	
- key management personnel of the entity or its Parent	(39)		(29)	
- other related parties	(21)		(15)	

	Three months ended 31 March 2014 (unaudited)		Three months ended 31 March 2013 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	103	8,040	93	8,241
- short-term employee benefits	103		93	

32. SUBSEQUENT EVENTS

On 25 April 2014, at the annual shareholders meeting, the shareholders made the decision to pay out dividend for common shares of 1.70 tenge per one common share outstanding and to pay out dividends on preferred shares in the total amount of KZT 1,857 million. The approved date for common shares dividend payment is 2 June 2014. The approved period for preferred shares dividend payment is from 12 to 16 May 2014.

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 1,461 million as a cost of acquired treasury shares (including KZT 212 million as fair value of option). After the repurchase, Samruk-Kazyna continues owning 100 preferred shares of the Bank. This repurchase was realized on the conditions of the option agreement signed on 22 April 2009 between the Parent of the Group and Samruk-Kazyna in respect to preferred shares of the Bank.