# JSC HALYK BANK

**Interim Condensed Consolidated Financial Information**

For the six months ended
30 June 2015 (unaudited)

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# JSC HALYK BANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2015, the results of its operations for the three and six months then ended, and cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 was authorized for issue by the Management Board on 14 August 2015.

**On behalf of the Management Board:**

**Aliya S. Karpykova**
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

Deloitte.

Deloitte, LLP
36 Al Farabi Ave.,
Almaty, 050059,
Republic of Kazakhstan

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

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

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

## Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2015 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and six months then ended, and interim consolidated statements of changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

## Scope of review

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

## Conclusion

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

Deloitte, LLP

14 August 2015
Almaty, Kazakhstan

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 (UNAUDITED)

*(Millions of Kazakhstan Tenge)*

| | Notes | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 5 | 620,350 | 540,537 |
| Obligatory reserves | 6 | 41,290 | 48,225 |
| Financial assets at fair value through profit or loss | 7 | 11,129 | 15,727 |
| Amounts due from credit institutions | 8 | 46,264 | 27,095 |
| Available-for-sale investment securities | 9 | 307,520 | 386,423 |
| Precious metals | | 1,453 | 1,385 |
| Loans to customers | 10, 32 | 1,758,560 | 1,648,013 |
| Investment property | 11 | 9,874 | 5,684 |
| Property and equipment | | 90,893 | 79,564 |
| Assets held-for-sale | | 8,779 | 8,798 |
| Goodwill | | 4,954 | 4,954 |
| Intangible assets | | 7,958 | 8,664 |
| Insurance assets | 12 | 29,371 | 20,320 |
| Other assets | 13 | 17,080 | 14,393 |
| TOTAL ASSETS | | 2,955,475 | 2,809,782 |
| **LIABILITIES AND EQUITY** | | | |
| LIABILITIES | | | |
| Amounts due to customers | 14, 32 | 1,839,855 | 1,848,213 |
| Amounts due to credit institutions | 15 | 119,063 | 107,192 |
| Financial liabilities at fair value through profit or loss | 7 | 73 | 3,131 |
| Debt securities issued | 16 | 439,822 | 311,009 |
| Provisions | 17 | 387 | 407 |
| Deferred tax liability | 18 | 10,601 | 10,673 |
| Insurance liabilities | 12 | 53,496 | 38,807 |
| Other liabilities | 19 | 16,887 | 15,129 |
| Total liabilities | | 2,480,184 | 2,334,561 |
| EQUITY | | | |
| Share capital | 20 | 143,695 | 143,695 |
| Share premium reserve | | 2,075 | 1,439 |
| Treasury shares | | (101,975) | (78,994) |
| Retained earnings and other reserves | | 431,496 | 409,081 |
| Total equity | | 475,291 | 475,221 |
| TOTAL LIABILITIES AND EQUITY | | 2,955,475 | 2,809,782 |

**On behalf of the Management Board:**

**Aliya S. Karpykova**
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

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

# JSC HALYK BANK

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
## FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)
*(Millions of Kazakhstan Tenge, except for earnings per share which is in Tenge)*

| | Notes | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|---|
| Interest income | 22, 32 | 60,621 | 52,472 | 118,286 | 103,588 |
| Interest expense | 22, 32 | (21,807) | (19,736) | (42,797) | (38,782) |
| NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE | 22 | 38,814 | 32,736 | 75,489 | 64,806 |
| Impairment charge | 17 | (3,287) | (852) | (1,625) | (1,360) |
| NET INTEREST INCOME | | 35,527 | 31,884 | 73,864 | 63,446 |
| Fee and commission income | 23 | 13,446 | 11,859 | 25,516 | 33,865 |
| Fee and commission expense | | (2,594) | (2,178) | (4,765) | (4,136) |
| Fees and commissions, net | | 10,852 | 9,681 | 20,751 | 29,729 |
| Net (loss)/gain from financial assets and liabilities at fair value through profit or loss | 24 | (831) | (478) | 267 | (66) |
| Net realized (loss)/gain from available-for-sale investment securities | | (97) | 420 | (1,301) | 59 |
| Net gain on foreign exchange operations | 25 | 4,012 | 2,765 | 3,776 | 5,901 |
| Insurance underwriting income | 26 | 5,957 | 4,548 | 11,165 | 7,831 |
| Other income | | 1,052 | 1,292 | 1,970 | 2,132 |
| OTHER NON-INTEREST INCOME | | 10,093 | 8,547 | 15,877 | 15,857 |
| Operating expenses | 27 | (15,577) | (14,597) | (31,585) | (28,323) |
| Recoveries of provision | 17 | 51 | 22 | 2 | 4,072 |
| Insurance claims incurred, net of reinsurance | 26 | (5,833) | (3,458) | (10,336) | (6,132) |
| NON-INTEREST EXPENSES | | (21,359) | (18,033) | (41,919) | (30,383) |
| INCOME BEFORE INCOME TAX EXPENSE | | 35,113 | 32,079 | 68,573 | 78,649 |
| Income tax expense | 18 | (6,808) | (5,960) | (13,296) | (14,613) |
| NET INCOME | | 28,305 | 26,119 | 55,277 | 64,036 |
| Attributable to: | | | | | |
| Non-controlling interest | | - | (20) | - | 384 |
| Preferred shareholders | | 455 | 447 | 912 | 1,108 |
| Common shareholders | | 27,850 | 25,692 | 54,365 | 62,544 |
| | | 28,305 | 26,119 | 55,277 | 64,036 |
| Basic earnings per share (in Kazakhstani Tenge) | 28 | 2.36 | 2.23 | 4.83 | 5.67 |
| Diluted earnings per share (in Kazakhstani Tenge) | 28 | 1.66 | 1.37 | 4.07 | 4.78 |

**On behalf of the Management Board:**

Aliya S. Karpykova
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

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

# JSC HALYK BANK

## INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

*(Millions of Kazakhstan Tenge)*

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Net income | 28,305 | 26,119 | 55,277 | 64,036 |
| Other comprehensive income, net of tax | | | | |
| *Items not to be subsequently reclassified to profit or loss:* | | | | |
| Gain/(loss) on revaluation of property and equipment, net of tax | 12 | - | (18) | 97 |
| *Items to be subsequently reclassified to profit or loss:* | | | | |
| Gain on revaluation of available-for-sale investment securities (net of tax – KZT Nil) | 4,071 | 4,902 | 2,322 | 1,922 |
| Reclassification adjustment relating to available-for-sale investment securities impaired during the period (net of tax – KZT Nil) | 762 | - | 801 | - |
| Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil) | 97 | (420) | 1,301 | (59) |
| Exchange differences on translating foreign operations (net of tax – KZT Nil) | 298 | 421 | (467) | 1,735 |
| Other comprehensive income for the period, net of tax | 5,240 | 4,903 | 3,939 | 3,695 |
| Total comprehensive income for the period | 33,545 | 31,022 | 59,216 | 67,731 |
| Attributable to: | | | | |
| Non-controlling interest | - | (21) | - | 382 |
| Preferred shareholders | 539 | 529 | 976 | 1,173 |
| Common shareholders | 33,006 | 30,514 | 58,240 | 66,176 |
| | 33,545 | 31,022 | 59,216 | 67,731 |

**On behalf of the Management Board:**

**Aliya S. Karpykova**
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

*(Millions of Kazakhstan 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 equity |
| 31 December 2014 | 83,571 | 46,891 | 13,233 | 1,439 | (39,973) | (39,021) | (845) | (9,292) | 17,341 | 401,877 | 475,221 |
| Net income | - | - | - | - | - | - | - | - | - | 55,277 | 55,277 |
| Other comprehensive (loss)/income | - | - | - | - | - | - | (467) | 4,424 | (18) | - | 3,939 |
| Total comprehensive (loss)/ income | - | - | - | - | - | - | (467) | 4,424 | (18) | 55,277 | 59,216 |
| Treasury shares purchased | - | - | - | (187) | (5) | (22,982) | - | - | - | - | (23,174) |
| Treasury shares sold | - | - | - | 823 | 6 | - | | - | - | - | 829 |
| Dividends – preferred shares | - | - | - | - | - | - | - | - | - | (2,543) | (2,543) |
| Dividends –common shares | - | - | - | - | - | - | - | - | - | (34,258) | (34,258) |
| Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets | - | - | - | - | - | - | - | - | (382) | 382 | - |
| 30 June 2015 (unaudited) | 83,571 | 46,891 | 13,233 | 2,075 | (39,972) | (62,003) | (1,312) | (4,868) | 16,941 | 420,735 | 475,291 |

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

*(Millions of Kazakhstan 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 | - | - | - | - | - | - | - | - | - | 63,652 | 63,652 | 384 | 64,036 |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 1,735 | 1,865 | 97 | - | 3,697 | (2) | 3,695 |
| Total comprehensive income | - | - | - | - | - | - | 1,735 | 1,865 | 97 | 63,652 | 67,349 | 382 | 67,731 |
| Treasury shares purchased | - | - | - | (90) | (3) | (1,461) | - | - | - | - | (1,554) | - | (1,554) |
| Treasury shares sold | - | - | - | 119 | 3 | - | - | - | - | - | 122 | - | 122 |
| Dividends – preferred shares | - | - | - | - | - | - | - | - | - | (1,757) | (1,757) | - | (1,757) |
| Dividends –common shares | - | - | - | - | - | - | - | - | - | (18,547) | (18,547) | - | (18,547) |
| Dividends of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (401) | (401) |
| Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets | - | - | - | - | - | - | - | - | (155) | 155 | - | - | - |
| 30 June 2014 (unaudited) | 83,571 | 46,891 | 13,233 | 1,444 | (39,974) | (39,021) | 2,337 | 3,655 | 13,750 | 350,973 | 436,859 | 914 | 437,773 |

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

**On Behalf of the Management Board:**

**Aliya S. Karpykova**
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

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

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

*(Millions of Kazakhstan Tenge)*

| | Notes | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Interest received from cash equivalents and amounts due from credit institutions | | 1,398 | 2,619 |
| Interest received from financial assets at fair value through profit or loss | | 44 | 32 |
| Interest received on available-for-sale investment securities | | 8,502 | 10,273 |
| Interest received from loans to customers | | 97,366 | 93,411 |
| Interest paid on due to customers | | (26,366) | (32,954) |
| Interest paid on due to credit institutions | | (2,705) | (774) |
| Interest paid on debt securities issued | | (11,557) | (7,574) |
| Fee and commission received | | 25,201 | 35,236 |
| Fee and commission paid | | (4,765) | (4,136) |
| Insurance underwriting income received | | 14,634 | 14,989 |
| Ceded insurance share paid | | (1,546) | (4,582) |
| Other income received | | 1,004 | 2,132 |
| Operating expenses paid | | (29,398) | (24,555) |
| Insurance reimbursements paid | | (7,803) | (6,270) |
| Cash flows from operating activities before changes in net operating assets | | 64,009 | 77,847 |
| Changes in operating assets and liabilities: | | | |
| Decrease/(increase) in operating assets: | | | |
| Obligatory reserves | | 6,935 | (9,498) |
| Financial assets at fair value through profit or loss | | 4,617 | (56) |
| Amounts due from credit institutions | | (18,800) | (19,379) |
| Precious metals | | (68) | 15,298 |
| Loans to customers | | (94,164) | (35,450) |
| Assets held-for-sale | | 19 | (737) |
| Insurance assets | | (8,421) | (6,481) |
| Other assets | | (5,120) | (9,465) |
| (Decrease)/increase in operating liabilities: | | | |
| Amounts due to customers | | (9,606) | 276,799 |
| Amounts due to credit institutions | | 11,665 | (61,676) |
| Financial liabilities at fair value through profit or loss | | (2,614) | 15 |
| Insurance liabilities | | 9,063 | 6,844 |
| Other liabilities | | (1,965) | 860 |
| Net cash (outflow)/inflow from operating activities before income tax | | (44,450) | 234,921 |
| Income tax paid | | (13,446) | (11,395) |
| Net cash (outflow)/inflow from operating activities | | (57,896) | 223,526 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Proceeds on sale of available-for-sale investment securities | | 95,834 | 81,405 |
| Purchase of available-for-sale investment securities | | (10,174) | (71,389) |
| Purchase and prepayment for property and equipment and intangible assets | | (16,045) | (2,527) |
| Proceeds on sale of property and equipment | | 475 | 258 |
| Net cash inflow from investing activities | | 70,090 | 7,747 |

## JSC HALYK BANK

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
### FOR THE SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)
*(Millions of Kazakhstani Tenge)*

| | Notes | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds on sale of treasury shares | | 829 | 122 |
| Purchase of treasury shares | | (23,174) | (1,554) |
| Dividends paid – preferred shares | | (2,543) | (1,757) |
| Dividends paid – common shares | | (34,258) | (18,547) |
| Dividends paid – non-controlling interest | | - | (401) |
| Proceeds from debt securities issued | | 122,406 | - |
| Net cash inflow/(outflow) from financing activities | | 63,260 | (22,137) |
| Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents | | 4,359 | 1,358 |
| Net change in cash and cash equivalents | | 79,813 | 210,895 |
| CASH AND CASH EQUIVALENTS, beginning of the period | 5 | 540,537 | 486,313 |
| CASH AND CASH EQUIVALENTS, end of the period | 5 | 620,350 | 697,208 |

**On behalf of the Management Board:**

**Aliya S. Karpykova**
**Acting Chairperson of the Board**

14 August 2015
Almaty, Kazakhstan

**Pavel A. Cheussov**
**Chief Accountant**

14 August 2015
Almaty, Kazakhstan

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

## 1. PRINCIPAL ACTIVITIES

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

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

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"), as well as Global Depository Receipts ("GDRs") and Eurobonds listed on the London Stock Exchange.

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

*Legal proceedings*

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

*Operating environment*

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

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2015. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

As at 30 June 2015 and 31 December 2014, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

| | 30 June 2015 (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 | 73.4% | 8,003,381,500 | 73.4% | 20,767,568 | 70.7% |
| JSC Single Accumulated Pension Fund | 716,483,524 | 6.6% | 716,483,524 | 6.5% | - | 0.0% |
| GDR | 1,840,818,240 | 16.8% | 1,840,818,240 | 16.9% | - | 0.0% |
| Other | 358,365,710 | 3.2% | 349,761,261 | 3.2% | 8,604,449 | 29.3% |
| **Total shares in circulation (on consolidated basis)** | **10,939,816,542** | **100%** | **10,910,444,525** | **100%** | **29,372,017** | **100%** |

| | 31 December 2014 | | | | | |
|---|---|---|---|---|---|---|
| | **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 | 11.0% |
| JSC Single Accumulated Pension Fund | 869,738,261 | 7.8% | 710,233,299 | 6.5% | 159,504,962 | 84.3% |
| GDR | 1,848,929,480 | 16.7% | 1,848,929,480 | 16.9% | - | 0.0% |
| Other | 356,244,249 | 3.2% | 347,354,434 | 3.2% | 8,889,815 | 4.7% |
| **Total shares in circulation (on consolidated basis)** | **11,099,061,058** | **100%** | **10,909,898,713** | **100%** | **189,162,345** | **100%** |

As at 30 June 2015, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 385 cash settlement units (as at 31 December 2014 – 22, 122 and 393, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abay Avenue, 050008 Almaty, Republic of Kazakhstan.

As at 30 June 2015, the number of the Group's full-time employees was 11,617 (31 December 2014 – 10,984).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 was authorized for issue by the Management Board on 14 August 2015.

## 2. BASIS OF PRESENTATION

### Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2014 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 2014 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with IFRS. In management’s opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

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

### Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

| Subsidiary | Holding, % | | Country | Industry |
|---|---|---|---|---|
| | 30 June 2015 (unaudited) | 31 December 2014 | | |
| JSC Halyk Leasing | 100 | 100 | Kazakhstan | Leasing |
| JSC Kazteleport | 100 | 100 | Kazakhstan | Telecommunications |
| OJSC Halyk Bank Kyrgyzstan | 100 | 100 | Kyrgyzstan | Banking |
| JSC Halyk Finance | 100 | 100 | Kazakhstan | Broker and dealer activities |
| LLP Halyk Inkassatsiya | 100 | 100 | Kazakhstan | Cash collection services |
| JSC Halyk Life | 100 | 100 | Kazakhstan | Life insurance |
| JSC Kazakhinstrakh | 100 | 100 | Kazakhstan | Insurance |
| JSC Accumulation Pension fund of Halyk Bank of Kazakhstan (“APF”) | 100 | 100 | Kazakhstan | Pension assets accumulation and management |
| JSC NBK Bank | 100 | 100 | Russia | Banking |
| JSC Halyk Bank Georgia | 100 | 100 | Georgia | Banking |
| LLC Halyk Project | 100 | 100 | Kazakhstan | Management of doubtful and loss assets |
| JSC Altyn-Bank (Subsidiary Bank of JSC Halyk Bank) (JSC “Altyn Bank”) | 100 | 100 | Kazakhstan | Banking |

## 3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2014. There were no changes in accounting policies during the six months ended 30 June 2015.

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial information as were applied in the preparation of the Group's financial statements for the year ended 31 December 2014, except for the impact of the adoption of the following amended standards:

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle;

**Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

There is no significant effect of these amendments on the consolidated financial statements.

**Annual Improvements to IFRSs 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

There is no significant effect of these amendments on the interim condensed consolidated financial information of the Group.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES

In preparing this interim condensed consolidated financial information, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with IFRS.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Cash on hand | 91,613 | 130,413 |
| **Recorded as loans and receivables in accordance with IAS 39:** | | |
| Correspondent accounts with Organization for Economic Co-operation and Development countries ("OECD") based banks | 79,148 | 90,574 |
| Overnight deposits with OECD based banks | 55,860 | 31,000 |
| Short-term deposits with OECD based banks | 40,972 | 14,595 |
| Correspondent accounts with the NBRK | 235,242 | 260,070 |
| Short-term deposits with Kazakhstan banks (loans under reverse repurchase agreements) | 5,800 | 3,803 |
| Correspondent accounts with non-OECD based banks | 10,260 | 8,553 |
| Overnight deposits with non-OECD based banks | 1,000 | - |
| Short-term deposits with non-OECD based banks | 403 | 1,529 |
| Short-term deposit with the NBRK | 100,052 | - |
| | 620,350 | 540,537 |

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

| | 30 June 2015 (unaudited) KZT | Foreign currencies | 31 December 2014 KZT | Foreign currencies |
|---|---|---|---|---|
| Overnight deposits with OECD based banks | - | 0.1% | - | 0.08% |
| Short-term deposits with OECD based banks | - | 0.1%-0.2% | - | 0.3% |
| Short-term deposits with Kazakhstan banks | 1.0%-4.0% | - | 30.0% | - |
| Overnight deposits with non-OECD based banks | 2% | - | - | - |
| Short-term deposits with non-OECD based bank | - | 3.5%-5.5% | - | 2.0%- 3.3% |
| Short-term deposits with NBRK | 3.1% | - | - | - |

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 June 2015 and 31 December 2014 are presented as follows:

| | 30 June 2015 (unaudited) Carrying value of deposits | Fair value of collateral | 31 December 2014 Carrying value of deposits | Fair value of collateral |
|---|---|---|---|---|
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan and NBRK notes | 5,800 | 6,210 | 3,803 | 4,103 |
| | 5,800 | 6,210 | 3,803 | 4,103 |

As at 30 June 2015 and 31 December 2014, maturities of loans under reverse repurchase agreements are up to one month.

## 6. OBLIGATORY RESERVES

Obligatory reserves comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Recorded as loans and receivables in accordance with IAS 39:** | | |
| Due from the NBRK allocated to obligatory reserves | 41,290 | 48,225 |
| | 41,290 | 48,225 |

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation and used for calculation of the minimum reserve requirements. As at 30 June 2015, obligatory reserves of JSC Altyn Bank, OJSC Halyk Bank Kyrgyzstan, JSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 4,738 million (31 December 2014 – KZT 4,464 million).

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

Financial assets at fair value through profit or loss comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Financial assets held for trading:** | | |
| Derivative financial instruments | 9,474 | 12,094 |
| Corporate bonds | 716 | 751 |
| Equity securities of Kazakhstan corporations | 309 | 261 |
| Bonds of foreign organizations | 174 | 174 |
| Bonds of JSC Development Bank of Kazakhstan | 159 | 152 |
| Bonds of Kazakhstan banks | 156 | 164 |
| Equity securities of foreign corporations | 72 | 56 |
| Equity securities of Kazakhstan banks | 69 | 49 |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | - | 2,026 |
| | 11,129 | 15,727 |

Financial liabilities at fair value through profit or loss comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Financial liabilities held for trading:** | | |
| Derivative financial instruments | 73 | 3,131 |

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

| | 30 June 2015 (unaudited) Interest rate | 31 December 2014 Interest rate |
|---|---|---|
| Corporate bonds | 6.6% | 6.3% |
| Bonds of Kazakhstan banks | 11.6% | 11.4% |
| Bonds of JSC Development Bank of Kazakhstan | 5.2% | 5.2% |
| Bonds of foreign organizations | 6.1% | 6.3% |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | - | 4.4% |

Derivative financial instruments comprise:

| | 30 June 2015 (unaudited) | | | 31 December 2014 | | |
|---|---|---|---|---|---|---|
| | Notional amount | Fair value Asset | Fair value Liability | Notional amount | Fair value Asset | Fair value Liability |
| **Foreign currency contracts:** | | | | | | |
| Swaps | 314,136 | 9,379 | 73 | 305,163 | 9,380 | 2,232 |
| Forwards | 6,486 | 95 | - | 63,716 | 2,714 | 899 |
| | | 9,474 | 73 | | 12,094 | 3,131 |

As at 30 June 2015 and 31 December 2014, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

## 8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Recorded as loans and receivables in accordance with IAS 39:** | | |
| Term deposits | 29,111 | 10,058 |
| Loans to credit institutions | 14,303 | 14,303 |
| Deposit pledged as collateral for derivative financial instruments | 2,855 | 2,734 |
| | 46,269 | 27,095 |
| Less – Allowance for loan impairment (Note 17) | (5) | - |
| | 46,264 | 27,095 |

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

| | 30 June 2015 (unaudited) | | 31 December 2014 | |
|---|---|---|---|---|
| | Interest rate | Maturity, year | Interest rate | Maturity, year |
| Term deposits | 1.0%-10.0% | 2015-2017 | 1.0%-9.0% | 2015-2017 |
| Loans to credit institutions | 8.2% | 2017 | 8.2% | 2017 |
| Deposit pledged as collateral for derivative financial instruments | 0.2%-1.8% | 2015 | 0.2%-1.8% | 2015 |

## 9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 135,808 | 149,640 |
| Corporate bonds | 106,726 | 121,714 |
| Bonds of foreign organizations | 20,338 | 48,968 |
| Bonds of JSC Development Bank of Kazakhstan | 19,524 | 18,209 |
| Bonds of other Kazakhstan banks | 13,836 | 12,422 |
| Local municipal bonds | 3,891 | 3,913 |
| Equity securities of Kazakhstan corporations | 3,652 | 4,066 |
| Treasury bills of Georgia | 1,603 | 1,562 |
| Equity securities of foreign corporations | 1,553 | 1,713 |
| Treasury bills of the Russian Federation | 443 | 6,618 |
| Treasury bills of Kyrgyz Republic | 146 | - |
| Equity securities of Kazakhstan banks | - | 62 |
| Treasury bills of the Republic of Poland | - | 17,536 |
| | 307,520 | 386,423 |

As at 30 June 2015 and 31 December 2014, available-for-sale investment securities included Treasury bills of the Ministry of Finance of the Republic of Kazakhstan at fair value of KZT 4,431 million and KZT 12,575 million, respectively, which were pledged under repurchase agreements with other banks (see Note 15).

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.

| | **30 June 2015 (unaudited)** | | **31 December 2014** | |
|---|---|---|---|---|
| | **Interest rate** | **Maturity, year** | **Interest Rate** | **Maturity, year** |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 5.6% | 2015-2030 | 5.5% | 2015-2031 |
| Corporate bonds | 7.2% | 2015-2029 | 7.0% | 2015-2023 |
| Bonds of foreign organizations | 4.8% | 2015-2020 | 4.0% | 2015-2022 |
| Bonds of JSC Development Bank of Kazakhstan | 4.4% | 2022-2026 | 4.7% | 2022-2026 |
| Bonds of Kazakhstan banks | 12.3% | 2015-2049 | 10.5% | 2015-2023 |
| Local municipal bonds | 4.9% | 2015 | 4.9% | 2015 |
| Treasury bills of Georgia | 10.0% | 2016-2024 | 11.9% | 2016-2024 |
| Treasury bills of the Russian Federation | 11.6% | 2021 | 2.7% | 2018-2021 |
| Treasury bills of Kyrgyz Republic | 11.7% | 2015 | - | - |
| Treasury bills of the Republic of Poland | - | - | 2.2% | 2019 |

## 10. LOANS TO CUSTOMERS

Loans to customers comprise:

| | **30 June 2015 (unaudited)** | **31 December 2014** |
|---|---|---|
| **Recorded as loans and receivables in accordance with IAS 39:** | | |
| Originated loans to customers | 2,038,446 | 1,931,218 |
| Overdrafts | 1,152 | 2,813 |
| | 2,039,598 | 1,934,031 |
| Less – Allowance for loan impairment (Note 17) | (281,038) | (286,018) |
| Loans to customers | 1,758,560 | 1,648,013 |

As at 30 June 2015, average interest rate on loans was 12.5% (as at 31 December 2014 –12.1%). Weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers.

As at 30 June 2015, the Group's loan concentration to the ten largest borrowers was KZT 383,002 million, which comprised 19% of the Group's total gross loan portfolio (as at 31 December 2014 – KZT 356,266 million; 18%) and 81% of the Group's total equity (as at 31 December 2014 – 75%).

As at 30 June 2015, the allowance for loan impairment created against these loans was KZT 41,074 million (as at 31 December 2014 – KZT 58,214 million).

As at 30 June 2015 and 31 December 2014, loans were extended to the customers operating in the following sectors:

| | **30 June 2015 (unaudited)** | **Share** | **31 December 2014** | **Share** |
|---|---|---|---|---|
| Retail loans: | | | | |
| - consumer loans | 394,193 | 19% | 352,028 | 18% |
| - mortgage loans | 157,525 | 8% | 138,615 | 7% |
| | 551,718 | | 490,643 | |
| Wholesale trade | 348,929 | 17% | 386,201 | 20% |
| Services | 255,001 | 13% | 229,741 | 12% |
| Construction | 154,802 | 8% | 159,975 | 8% |
| Real estate | 139,642 | 7% | 130,622 | 7% |
| Retail trade | 107,193 | 5% | 112,497 | 6% |
| Agriculture | 104,349 | 5% | 103,836 | 5% |
| Transportation | 73,953 | 4% | 66,045 | 3% |
| Communication | 47,557 | 2% | 27,959 | 2% |
| Financial services | 41,750 | 2% | 37,960 | 2% |
| Mining | 40,488 | 2% | 39,782 | 2% |
| Hotel industry | 30,727 | 2% | 29,969 | 2% |
| Food industry | 27,439 | 1% | 28,327 | 2% |
| Metallurgy | 24,372 | 1% | 22,026 | 1% |
| Energy | 18,621 | 1% | 9,264 | 1% |
| Chemical industry | 13,171 | 1% | 8,793 | 0% |
| Machinery | 9,791 | 0% | 5,250 | 0% |
| Oil and gas | 6,878 | 0% | 9,059 | 0% |
| Light industry | 5,993 | 0% | 4,171 | 0% |
| Other | 37,224 | 2% | 31,911 | 2% |
| | 2,039,598 | 100% | 1,934,031 | 100% |

As at 30 June 2015 the amount of accrued interest on loans comprised KZT 104,935 million (as at 31 December 2014 – KZT 103,757 million).

During the six months ended 30 June 2015 and during the year ended 31 December 2014, the Group took possession of financial and non-financial assets by foreclosing the collateral. Such assets, amounting to KZT 7,234 million as at 30 June 2015 and KZT 8,029 million as at 31 December 2014 are classified as assets held-for-sale.

As at 30 June 2015, loans to customers included KZT 155,452 million of renegotiated loans (as at 31 December 2014 – KZT 150,382 million). Otherwise, these loans would be past due or impaired.

## 11. INVESTMENT PROPERTY

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Beginning balance | 5,684 | 906 |
| Additions | 4,204 | 1,912 |
| Transferred from property and equipment | 22 | 2,129 |
| Property reclassified as non-current assets held-for-sale | (36) | - |
| Transferred from non-current assets held-for-sale | - | 235 |
| Capitalized expenses | - | 141 |
| Gain on revaluation of investment property | - | 361 |
| Ending balance | 9,874 | 5,684 |

As at 30 June 2015 and 31 December 2014, the Group did not pledge any investment property as collateral for its liabilities.

Rental income from investment property is included in other income. For the six months ended 2015 and 2014, it amounted to KZT 508 million and KZT 92 million, respectively.

Operating expenses arising from the investment property that generated rental income during the six months ended 30 June 2015 and 2014 amounted to KZT 130 million and KZT 30 million, respectively.

As at 30 June 2015 and 31 December 2014, the fair value measurements of the Group's investment property are categorized into Level 2 and amounted to KZT 9,874 million and KZT 5,684 million, respectively (description of measurement hierarchy is disclosed in Note 31).

## 12. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Reinsurance premium unearned | 12,908 | 10,420 |
| Reinsurance amounts recoverable | 1,304 | 2,221 |
| | 14,212 | 12,641 |
| Premiums receivable | 15,159 | 7,679 |
| Insurance assets | 29,371 | 20,320 |

Insurance liabilities comprised the following:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Gross unearned insurance premium reserve | 22,617 | 15,105 |
| Reserves for insurance claims | 19,977 | 18,360 |
| | 42,594 | 33,465 |
| Payables to reinsurers and agents | 10,902 | 5,342 |
| Insurance liabilities | 53,496 | 38,807 |

## 13. OTHER ASSETS

Other assets comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Other financial assets recorded as loans and receivables in accordance with IAS 39:** | | |
| Debtors on banking activities | 10,201 | 9,788 |
| Accrued other commission income | 1,092 | 778 |
| Debtors on non-banking activities | 961 | 2,204 |
| Other | 41 | 20 |
| | 12,295 | 12,790 |
| Less – Allowance for impairment (Note 17) | (4,629) | (4,297) |
| | 7,666 | 8,493 |
| **Other non financial assets:** | | |
| Prepayments for property and equipment | 3,514 | 1,682 |
| Corporate income tax prepaid | 1,638 | 530 |
| Advances for taxes other than income tax | 1,209 | 615 |
| Inventory | 1,098 | 1,161 |
| Deferred tax asset (Note 18) | 370 | 447 |
| Investments in associates | 30 | 30 |
| Other | 1,555 | 1,435 |
| | 9,414 | 5,900 |
| | 17,080 | 14,393 |

## 14. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Recorded at amortized cost:** | | |
| **Term deposits:** | | |
| Individuals | 685,105 | 764,935 |
| Legal entities | 369,163 | 380,810 |
| | 1,054,268 | 1,145,745 |
| **Current accounts:** | | |
| Legal entities | 605,365 | 529,204 |
| Individuals | 180,222 | 173,264 |
| | 785,587 | 702,468 |
| | 1,839,855 | 1,848,213 |

As at 30 June 2015, the Group's ten largest groups of related customers accounted for approximately 27% of the total amounts due to customers (31 December 2014 – 26%), 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:

| | 30 June 2015 (unaudited) | Share | 31 December 2014 | Share |
|---|---|---|---|---|
| Individuals and entrepreneurs | 865,327 | 47% | 938,199 | 51% |
| Oil and gas | 299,234 | 16% | 296,546 | 16% |
| Financial sector | 98,575 | 5% | 43,796 | 2% |
| Transportation | 86,582 | 5% | 108,663 | 6% |
| Wholesale trade | 81,256 | 5% | 77,060 | 4% |
| Other consumer services | 65,612 | 3% | 72,918 | 4% |
| Construction | 61,457 | 3% | 66,379 | 4% |
| Metallurgy | 36,995 | 2% | 29,383 | 1% |
| Education | 31,959 | 2% | 18,291 | 1% |
| Healthcare and social services | 31,728 | 2% | 31,213 | 2% |
| Insurance and pension funds activity | 27,907 | 2% | 22,284 | 1% |
| Communication | 23,805 | 1% | 15,045 | 1% |
| Government | 21,343 | 1% | 25,139 | 1% |
| Energy | 8,501 | 1% | 14,195 | 1% |
| Other | 99,574 | 5% | 89,102 | 5% |
| | 1,839,855 | 100% | 1,848,213 | 100% |

## 15. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Recorded at amortized cost:** | | |
| Loans from JSC National Managing Holding KazAgro | 46,389 | 47,846 |
| Loans from JSC Entrepreneurship Development Fund DAMU | 33,024 | 21,127 |
| Loans from JSC Development Bank of Kazakhstan | 20,063 | 8,009 |
| Loans and deposits from Kazakhstan banks | 9,484 | 17,678 |
| Correspondent accounts | 5,255 | 5,646 |
| Loans and deposits from OECD based banks | 3,754 | 3,963 |
| Loans from other financial institutions | 1,090 | 1,174 |
| Loans and deposits from non-OECD based banks | 4 | 1,749 |
| | 119,063 | 107,192 |

As at 30 June 2015 loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 46,327 (31 December 2014 - KZT 47,783 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

As at 30 June 2015 loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 32,000 million (31 December 2014 – 20,000 million) at 2.0% interest rate maturing in 2034 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

As at 30 June 2015, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 16,000 million (31 December 2014 – KZT 8,000 million) at 2% interest rate maturing in 2034-2035, to finance corporate enterprises operating in manufacturing industries, as well as long-term loan of KZT 4,000 million at 1% interest rate maturing in 2035, to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

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

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

| | **30 June 2015 (unaudited)** | | **31 December 2014** | |
|---|---|---|---|---|
| | **Interest rate** | **Maturity, year** | **Interest Rate** | **Maturity, year** |
| Loans from JSC National Managing Holding KazAgro | 3.0% | 2019-2022 | 3.0% | 2019-2022 |
| Loans from JSC Entrepreneurship Development Fund DAMU | 2.0% | 2015-2034 | 2.0% | 2015-2034 |
| Loans from JSC Development Bank of Kazakhstan | 1.0%-2.0% | 2034-2035 | 2.0% | 2034 |
| Loans and deposits from Kazakhstan banks | 3.2%-3.4% | 2015-2034 | 2.0%-3.5% | 2015-2034 |
| Loans and deposits from OECD based banks | 0.9%-6.5% | 2016-2023 | 0.9%-6.5% | 2016-2023 |
| Loans from other financial institutions | 4.8%-6.2% | 2015-2016 | 4.8%-6.2% | 2015-2016 |
| Loans and deposits from non-OECD based banks | 5% | 2015 | 0.7%-7.0% | 2015-2017 |

Fair value of assets pledged and carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 June 2015 and 31 December 2014 are presented as follows:

| | **30 June 2015 (unaudited)** | | **31 December 2014** | |
|---|---|---|---|---|
| | **Fair value of collateral** | **Carrying amount of loans** | **Fair value of collateral** | **Carrying amount of loans** |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 4,431 | 3,143 | 12,575 | 12,017 |
| | 4,431 | 3,143 | 12,575 | 12,017 |

Details of transferred financial assets that are not derecognized in their entirety as at 30 June 2015 and 31 December 2014 are disclosed below.

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

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

| | **Investments available-for-sale (Note 9)** |
|---|---|
| **As at 30 June 2015:** | |
| Carrying amount of transferred assets | 4,431 |
| Carrying amount of associated liabilities | 3,143 |
| | |
| **As at 31 December 2014:** | |
| Carrying amount of transferred assets | 12,575 |
| Carrying amount of associated liabilities | 12,017 |

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

The Group's management believes that as at 30 June 2015 and 31 December 2014, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

## 16. DEBT SECURITIES ISSUED

Debt securities issued consisted of the following:

| | **30 June 2015 (unaudited)** | **31 December 2014** |
|---|---|---|
| **Recorded at amortized cost:** | | |
| **Subordinated debt securities issued:** | | |
| Reverse inflation indexed KZT denominated bonds | 8,518 | 8,470 |
| Fixed rate KZT denominated bonds | 7,988 | 7,815 |
| Inflation indexed KZT denominated bonds | - | 3,944 |
| Total subordinated debt securities outstanding | 16,506 | 20,229 |
| **Unsubordinated debt securities issued:** | | |
| KZT denominated bonds | 224,239 | 95,525 |
| USD denominated bonds | 199,077 | 195,255 |
| Total unsubordinated debt securities outstanding | 423,316 | 290,780 |
| Total debt securities outstanding | 439,822 | 311,009 |

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

| | **30 June 2015 (unaudited)** | | **31 December 2014** | |
|---|---|---|---|---|
| | **Coupon rate** | **Maturity, year** | **Coupon Rate** | **Maturity, year** |
| **Subordinated debt securities issued:** | | | | |
| Reverse inflation indexed KZT denominated bonds | 15% less inflation rate | 2015-2016 | 15% less inflation rate | 2015-2016 |
| Fixed rate KZT denominated bonds | 7.5%-13.0% | 2015-2018 | 7.5%-13.0% | 2015-2018 |
| Inflation indexed KZT denominated bonds | - | - | inflation rate plus 1% | 2015 |
| **Unsubordinated debt securities issued:** | | | | |
| KZT denominated bonds | 7.5% | 2024-2025 | 7.5% | 2024 |
| USD denominated bonds | 7.3% | 2017-2021 | 7.3% | 2017-2021 |

As at 30 June 2015, accrued interest on debt securities issued was KZT 9,054 million (as at 31 December 2014 – KZT 4,829 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 June 2015 and 31 December 2014 the Group was in compliance with the covenants of the agreements the Group has with the notes' trustees and holders.

## 17. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

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

| | Loans to customers (Note 10) | Amounts due from credit institutions (Note 8) | Available-for-sale investment securities | Other assets (Note 13) | Total |
|---|---|---|---|---|---|
| **31 March 2015 (unaudited)** | (280,452) | - | (1,902) | (4,323) | (286,677) |
| Additional provisions recognized | (27,380) | (5) | (1,779) | (2,089) | (31,253) |
| Recovery of provisions | 26,172 | - | 25 | 1,769 | 27,966 |
| Write-offs | 888 | - | 531 | - | 1,419 |
| Foreign exchange differences | (266) | - | 39 | 14 | (213) |
| **30 June 2015 (unaudited)** | (281,038) | (5) | (3,086) | (4,629) | (288,758) |
| **31 March 2014 (unaudited)** | (350,448) | - | (1,541) | (4,777) | (356,766) |
| Additional provisions recognized | (36,221) | - | - | (2,161) | (38,382) |
| Recovery of provisions | 35,420 | - | 45 | 2,065 | 37,530 |
| Write-offs | 57,786 | - | - | 83 | 57,869 |
| Foreign exchange differences | (1,143) | - | - | (35) | (1,178) |
| **30 June 2014 (unaudited)** | (294,606) | - | (1,496) | (4,825) | (300,927) |
| **31 December 2014** | (286,018) | - | (1,867) | (4,297) | (292,182) |
| Additional provisions recognized | (60,012) | (5) | (1,818) | (3,940) | (65,775) |
| Recovery of provisions | 60,466 | - | 25 | 3,659 | 64,150 |
| Write-offs | 7,030 | - | 535 | - | 7,565 |
| Foreign exchange differences | (2,504) | - | 39 | (51) | (2,516) |
| **30 June 2015 (unaudited)** | (281,038) | (5) | (3,086) | (4,629) | (288,758) |
| **31 December 2013** | (323,311) | (5) | (1,040) | (5,176) | (329,532) |
| Additional provisions recognized | (157,187) | - | (471) | (4,689) | (162,347) |
| Recovery of provision | 155,933 | - | 17 | 5,037 | 160,987 |
| Write-offs | 57,938 | - | - | 85 | 58,023 |
| Foreign exchange differences | (27,979) | 5 | (2) | (82) | (28,058) |
| **30 June 2014 (unaudited)** | (294,606) | - | (1,496) | (4,825) | (300,927) |

During the six months ended 30 June 2015 and 2014, the Group has written off loans of KZT 7,030 million and KZT 57,938 million, respectively. Main portion of write-off relates to changes introduced to the Tax Code of the Republic of Kazakhstan as at 1 January 2014, which allow writing off of loans without being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

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

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| At the beginning of the period | (419) | (119) | (407) | (4,163) |
| Additional provisions recognized | (178) | (6) | (271) | (46) |
| Recovery of provisions | 229 | 28 | 273 | 4,118 |
| Write-offs | - | 84 | - | 84 |
| Foreign exchange differences | (19) | (1) | 18 | (7) |
| At the end of the period | (387) | (14) | (387) | (14) |

## 18. TAXATION

The Bank and its subsidiaries, other than JSC NBK Bank, OJSC Halyk Bank Kyrgyzstan and JSC Halyk Bank Georgia, are subject to taxation in Kazakhstan. JSC NBK Bank is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Current tax charge | 6,669 | 2,370 | 13,645 | 11,674 |
| Deferred tax expense/(benefit) relating to origination and reversal of temporary differences | 139 | 802 | (349) | 151 |
| Adjustments recognized in the current period for deferred tax of prior periods | - | 2,788 | - | 2,788 |
| Income tax expense | 6,808 | 5,960 | 13,296 | 14,613 |

The tax rate for Kazakhstan companies was 20% during the six months ended 30 June 2015 and 2014. Income on state and other certain securities is tax exempt.

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

Deferred tax assets and liabilities comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Tax effect of deductible temporary differences:** | | |
| Bonuses accrued | 1,214 | 1,453 |
| Vacation pay accrual | 313 | 265 |
| Other | 20 | 162 |
| Deferred tax asset | 1,547 | 1,880 |
| **Tax effect of taxable temporary differences:** | | |
| Dynamic provisions | (3,819) | (3,769) |
| Property and equipment, accrued depreciation | (5,451) | (5,725) |
| Core deposit intangible | (393) | (445) |
| Fair value of derivatives and investments available-for-sale | (166) | (578) |
| Other | (1,949) | (1,589) |
| Deferred tax liability | (11,778) | (12,106) |
| Net deferred tax liability | (10,231) | (10,226) |

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

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Deferred tax asset (Note 13) | 370 | 447 |
| Deferred tax liability | (10,601) | (10,673) |
| Net deferred tax liability | (10,231) | (10,226) |

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 the Republic of 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.

## 19. OTHER LIABILITIES

Other liabilities comprise:

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| **Other financial liabilities:** | | |
| Salary payable | 7,311 | 8,263 |
| Creditors on bank activities | 3,516 | 822 |
| Payable for general and administrative expenses | 1,169 | 489 |
| Creditors on non-banking activities | 836 | 282 |
| Other | 294 | 497 |
| | 13,126 | 10,353 |
| **Other non financial liabilities:** | | |
| Current income tax payable | 2,085 | 2,444 |
| Taxes payable other than income tax | 1,024 | 1,413 |
| Other prepayments received | 652 | 919 |
| | 3,761 | 4,776 |
| | 16,887 | 15,129 |

## 20. EQUITY

Authorized, issued and fully paid number of shares as at 30 June 2015 and 2014 were as follows:

| 30 June 2015 (unaudited) | Share capital authorized | Share capital authorized and not issued | Fully paid and issued share capital | Share capital repurchased | Outstanding shares |
|---|---|---|---|---|---|
| Common shares | 24,000,000,000 | (12,871,481,549) | 11,128,518,451 | (218,073,926) | 10,910,444,525 |
| Non-convertible preferred shares | 600,000,000 | (290,140,570) | 309,859,430 | (289,415,467) | 20,443,963 |
| Convertible preferred shares | 80,225,222 | - | 80,225,222 | (71,297,168) | 8,928,054 |

| 30 June 2014 (unaudited) | Share capital authorized | Share capital authorized and not issued | Fully paid and issued share capital | Share capital repurchased | Outstanding shares |
|---|---|---|---|---|---|
| Common shares | 24,000,000,000 | (12,871,481,549) | 11,128,518,451 | (218,543,218) | 10,909,975,233 |
| Non-convertible preferred shares | 600,000,000 | (290,140,570) | 309,859,430 | (200,558,516) | 109,300,914 |
| Convertible preferred shares | 80,225,222 | - | 80,225,222 | (263,822) | 79,961,400 |

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

| | Number of shares | | | Nominal (placement) amount | | |
|---|---|---|---|---|---|---|
| | Common | Non-convertible preferred | Convertible preferred | Common | Non-convertible preferred | Convertible preferred |
| **31 December 2014** | 10,909,898,713 | 109,300,945 | 79,861,400 | 43,598 | 7,870 | 13,233 |
| Purchase of treasury shares | (5,269,780) | (93,050,813) | (71,182,077) | (5) | (13,024) | (9,958) |
| Sale of treasury shares | 5,815,592 | 4,193,831 | 248,731 | 6 | - | - |
| **30 June 2015 (unaudited)** | 10,910,444,525 | 20,443,963 | 8,928,054 | 43,599 | (5,154) | 3,275 |
| **31 December 2013** | 10,908,700,519 | 115,533,834 | 79,997,250 | 43,597 | 9,273 | 13,291 |
| Purchase of treasury shares | (2,145,970) | (6,232,920) | (35,850) | (3) | (1,461) | - |
| Sale of treasury shares | 3,420,684 | - | - | 3 | - | - |
| **30 June 2014 (unaudited)** | 10,909,975,233 | 109,300,914 | 79,961,400 | 43,597 | 7,812 | 13,291 |

## Common shares

At 30 June 2015, the Group held 218,073,926 of the Group's common shares as treasury shares at KZT 39,972 million (31 December 2014 – 218,150,932 shares at KZT 39,973 million).

Each common share outstanding is entitled to one vote and dividends.

## Preferred shares

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

Kazakhstan legislation requires joint stock companies to pay a certain guaranteed amount of dividends on Preferred shares. To comply with Kazakhstan legislation, the terms of Preferred Shares require that the Group pay a nominal dividend amount of 0.01 KZT per share, which represents the liability component. Kazakhstan legislation on Joint Stock Companies also stipulates that dividend payments on Preferred shares should not be less than dividends paid on common shares and that dividends on common shares should not be paid until full payment of dividends on Preferred shares.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the share prospectus and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBRK 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 NBRK plus one per cent. Inflation in either calculation will range between 3% and 9%. Dividends on the Preferred Shares are paid only after the Board of Directors approves payment terms of such dividends and the Annual General Shareholders Meeting approves distribution of net income received for the respective financial year. The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

*Share premium reserve*

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

*Convertible preferred shares*

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

On 22 June 2015, the Bank repurchased its convertible and non-convertible preferred shares on KASE at KZT 140.00 per share for the total amount of KZT 22,982 million.

## 21. COMMITMENTS AND CONTINGENCIES

### Financial commitments and contingencies

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

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Guarantees issued | 153,770 | 155,639 |
| Commitments to extend credit | 22,722 | 20,525 |
| Commercial letters of credit | 4,693 | 6,657 |
| Financial commitments and contingencies | 181,185 | 182,821 |
| Less: cash collateral against letters of credit | (4,634) | (3,427) |
| Less: provisions (Note 17) | (387) | (407) |
| Financial commitments and contingencies, net | 176,164 | 178,987 |

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 30 June 2015, ten largest uncovered guarantees accounted for 73% of the Group's total financial guarantees (as at 31 December 2014 – 76%) and represented 24% of the Group's total equity (as at 31 December 2014 – 25%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 30 June 2015, the ten largest unsecured letters of credit accounted for 76% of the Group's total commercial letters of credit (31 December 2014 – 73%) and represented 1% of the Group's total equity (31 December 2014 – 1%).

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

### Capital commitments

As at 30 June 2015 and 31 December 2014 the Group had commitments for capital expenditures in respect of construction in progress amounted to KZT 244 million and KZT Nil million, respectively.

### Operating lease commitments

There was no material operating lease commitments under non-cancellable operating leases outstanding as at 30 June 2015 and 31 December 2014.

## 22. NET INTEREST INCOME

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| **Interest income comprises:** | | | | |
| **Interest income on financial assets recorded at amortized cost:** | | | | |
| - interest income on impaired assets | 38,285 | 26,480 | 70,402 | 51,593 |
| - interest income on unimpaired assets | 17,443 | 21,300 | 37,672 | 42,013 |
| Interest income on available-for-sale investment securities | 4,874 | 4,673 | 10,148 | 9,946 |
| Interest income on financial assets at fair value through profit or loss | 19 | 19 | 64 | 36 |
| Total interest income | 60,621 | 52,472 | 118,286 | 103,588 |
| **Interest income on financial assets recorded at amortized cost comprises:** | | | | |
| Interest income on loans to customers | 54,691 | 46,390 | 106,427 | 91,002 |
| Interest income on amounts due from credit institutions and cash and cash equivalents | 1,037 | 1,390 | 1,647 | 2,604 |
| Total interest income on financial assets recorded at amortized cost | 55,728 | 47,780 | 108,074 | 93,606 |
| **Interest income on financial assets at fair value through profit or loss:** | | | | |
| Interest income on financial assets held-for-trading | 19 | 19 | 64 | 36 |
| Total interest income on financial assets at fair value through profit or loss | 19 | 19 | 64 | 36 |
| Interest income on available-for-sale investment securities | 4,874 | 4,673 | 10,148 | 9,946 |
| Total interest income | 60,621 | 52,472 | 118,286 | 103,588 |
| **Interest expense comprises:** | | | | |
| Interest expense on financial liabilities recorded at amortized cost | (21,807) | (19,736) | (42,797) | (38,782) |
| Total interest expense | (21,807) | (19,736) | (42,797) | (38,782) |
| **Interest expense on financial liabilities recorded at amortized cost comprise:** | | | | |
| Interest expense on amounts due to customers | (12,952) | (15,220) | (25,924) | (29,713) |
| Interest expense on debt securities issued | (7,813) | (4,148) | (14,270) | (8,070) |
| Interest expense on amounts due to credit institutions | (1,042) | (368) | (2,603) | (999) |
| Total interest expense on financial liabilities recorded at amortized cost | (21,807) | (19,736) | (42,797) | (38,782) |
| Net interest income before impairment charge | 38,814 | 32,736 | 75,489 | 64,806 |

## 23. FEES AND COMMISSIONS

Fee and commissions were derived from the following sources:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Bank transfers - settlements | 3,531 | 2,748 | 6,720 | 5,007 |
| Payment cards maintenance | 2,330 | 1,937 | 4,525 | 3,736 |
| Cash operations | 2,265 | 2,156 | 4,224 | 3,898 |
| Bank transfers – salary projects | 1,824 | 1,695 | 3,439 | 3,108 |
| Servicing customers' pension payments | 1,462 | 1,270 | 2,885 | 2,451 |
| Letters of credit and guarantees issued | 776 | 795 | 1,539 | 1,642 |
| Maintenance of customer accounts | 392 | 337 | 768 | 581 |
| Other | 866 | 921 | 1,416 | 1,577 |
| | 13,446 | 11,859 | 25,516 | 22,000 |
| Pension fund and asset management | - | - | - | 11,865 |
| | 13,446 | 11,859 | 25,516 | 33,865 |

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

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Investment income from management of pension assets | - | - | - | 10,259 |
| Income from administration of pension assets | - | - | - | 1,606 |
| | - | - | - | 11,865 |

On 26 March 2014 APF transferred all pension assets to JSC Single Accumulated Pension Fund. Subsequently the Group stopped carrying out pension asset management activities.

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

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

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| **Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:** | | | | |
| Realized gain/(loss) on trading operations | 6 | 61 | (49) | 239 |
| Net loss on derivative operations | (747) | (344) | (129) | (103) |
| Net unrealized (loss)/gain on trading operations | (90) | (195) | 445 | (202) |
| | (831) | (478) | 267 | (66) |

## 25. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Dealing, net | 4,009 | 2,116 | 8,021 | 1,195 |
| Translation differences, net | 3 | 649 | (4,245) | 4,706 |
| | 4,012 | 2,765 | 3,776 | 5,901 |

## 26. INSURANCE UNDERWRITING INCOME, NET

Insurance underwriting income comprised:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Insurance premiums written, gross | 15,293 | 13,933 | 28,746 | 22,407 |
| Change in unearned insurance premiums, net | (2,737) | (420) | (6,272) | (2,471) |
| Ceded reinsurance share | (6,599) | (8,965) | (11,309) | (12,105) |
| | 5,957 | 4,548 | 11,165 | 7,831 |
| Insurance payments | (2,439) | (1,762) | (4,663) | (4,342) |
| Commission to agents | (1,827) | (311) | (3,316) | (358) |
| Insurance reserves | (1,567) | (1,385) | (2,357) | (1,432) |
| | (5,833) | (3,458) | (10,336) | (6,132) |
| | 124 | 1,090 | 829 | 1,699 |

## 27. OPERATING EXPENSES

Operating expenses comprised:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| Salaries and other employee benefits | 9,362 | 8,545 | 18,671 | 16,585 |
| Depreciation and amortization expenses | 1,511 | 1,006 | 3,115 | 2,490 |
| Taxes other than income tax | 838 | 651 | 1,716 | 1,331 |
| Rent | 502 | 322 | 1,076 | 633 |
| Security | 499 | 371 | 927 | 740 |
| Repairs and maintenance | 448 | 377 | 765 | 692 |
| Utilities expenses | 443 | 243 | 748 | 600 |
| Communication | 405 | 383 | 796 | 768 |
| Information services | 317 | 348 | 619 | 584 |
| Advertisement | 247 | 272 | 402 | 421 |
| Business trip expenses | 198 | 188 | 332 | 345 |
| Stationery and office supplies | 192 | 135 | 367 | 291 |
| Transportation | 119 | 111 | 233 | 224 |
| Insurance agent fees | 117 | 165 | 292 | 295 |
| Charity | 89 | 136 | 129 | 167 |
| Expenses from sale of property and equipment and intangible assets | 54 | 296 | 299 | 310 |
| Professional services | 37 | 587 | 176 | 1,104 |
| Hospitality expenses | 17 | 15 | 32 | 23 |
| Social events | 4 | 4 | 12 | 11 |
| Other | 178 | 442 | 878 | 709 |
| | 15,577 | 14,597 | 31,585 | 28,323 |

## 28. EARNINGS PER SHARE

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

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

The following table presents basic and diluted earnings per share:

| | Three months ended 30 June 2015 (unaudited) | Three months ended 30 June 2014 (unaudited) | Six months ended 30 June 2015 (unaudited) | Six months ended 30 June 2014 (unaudited) |
|---|---|---|---|---|
| **Basic earnings per share** | | | | |
| Net income for the period attributable to equity holders of the parent | 28,305 | 26,139 | 55,277 | 63,652 |
| Less: Dividends paid on preference shares | (2,543) | (1,757) | (2,543) | (1,757) |
| Earnings attributable to common shareholders | 25,762 | 24,382 | 52,734 | 61,895 |
| Weighted average number of common shares for the purposes of basic earnings per share | 10,910,163,317 | 10,909,943,609 | 10,910,001,372 | 10,909,901,688 |
| Basic earnings per share (in Tenge)* | 2.36 | 2.23 | 4.83 | 5.67 |
| **Diluted earnings per share** | | | | |
| Earnings used in the calculation of basic earnings per share | 25,762 | 24,382 | 52,734 | 61,895 |
| Add: Dividends paid on convertible preferred shares | 1,078 | 744 | 1,078 | 744 |
| Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders* | N/A | N/A | N/A | N/A |
| Less: Amounts payable to convertible preferred shareholders upon conversion | (8,586) | (10,101) | (9,136) | (10,104) |
| Earnings used in the calculation of total diluted earnings per share | 18,254 | 15,025 | 44,676 | 52,535 |
| Weighted average number of common shares for the purposes of basic earnings per share | 10,910,163,317 | 10,909,943,609 | 10,910,001,372 | 10,909,901,688 |
| Weighted average number of common shares that would be issued for the convertible preferred shares | 72,458,831 | 79,962,309 | 77,104,799 | 79,986,574 |
| Weighted average number of common shares for the purposes of diluted earnings per share | 10,982,622,148 | 10,989,905,918 | 10,987,106,171 | 10,989,888,262 |
| Diluted earnings per share (in Tenge)* | 1.66 | 1.37 | 4.07 | 4.78 |

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

As required by KASE rules for listed companies the book value of one share per each class of shares as at 30 June 2015 and 31 December 2014, is disclosed as follows:

| | | 30 June 2015 (unaudited) | |
|---|---|---|---|
| **Class of shares** | **Outstanding shares** | **Equity** | **Book value of one share, in KZT** |
| Common | 10,910,444,525 | 467,975 | 42.89 |
| Non-convertible preferred | 20,443,963 | (3,975) | (194.43) |
| Convertible preferred | 8,928,054 | 3,333 | 373.33 |
| | | 467,333 | |

As at 30 June 2015, carrying value of non-convertible and convertible preferred shares outstanding comprised KZT 3,271 million and KZT 1,384 million, respectively.

| | | 31 December 2014 | |
|---|---|---|---|
| **Class of shares** | **Outstanding shares** | **Equity** | **Book value of one share, in KZT** |
| Common | 10,909,898,713 | 444,217 | 40.72 |
| Non-convertible preferred | 109,300,945 | 9,049 | 82.79 |
| Convertible preferred | 79,861,400 | 13,291 | 166.43 |
| | | 466,557 | |

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.

## 29. FINANCIAL RISK MANAGEMENT

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

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

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

### Credit risk

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

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

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

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

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

**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 regulatory authority.

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

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

| | 30 June 2015 (unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | **USD** | **EURO** | **RUR** | **Other** | **TOTAL foreign currencies** | **KZT** | **TOTAL** |
| **FINANCIAL ASSETS:** | | | | | | | |
| Cash and cash equivalents | 414,592 | 27,471 | 9,853 | 8,350 | 460,266 | 160,084 | 620,350 |
| Obligatory reserves | 25,868 | 621 | 187 | 439 | 27,115 | 14,175 | 41,290 |
| Financial assets at fair value through profit or loss | 8 | - | - | 16 | 24 | 11,105 | 11,129 |
| Amounts due from credit institutions | 4,641 | - | - | - | 4,641 | 41,623 | 46,264 |
| Available-for-sale investment securities | 117,512 | 983 | 1,285 | 35 | 119,815 | 187,705 | 307,520 |
| Loans to customers | 458,006 | 2,129 | 8,367 | 5,468 | 473,970 | 1,284,590 | 1,758,560 |
| Other financial assets | 574 | 2,089 | 77 | 62 | 2,802 | 4,864 | 7,666 |
| | 1,021,201 | 33,293 | 19,769 | 14,370 | 1,088,633 | 1,704,146 | 2,792,779 |
| **FINANCIAL LIABILITIES:** | | | | | | | |
| Amounts due to customers | 1,032,570 | 32,168 | 5,731 | 6,388 | 1,076,857 | 762,998 | 1,839,855 |
| Amounts due to credit institutions | 38,587 | 422 | 1,797 | 298 | 41,104 | 77,959 | 119,063 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | 73 | 73 |
| Debt securities issued | 200,410 | - | - | - | 200,410 | 239,412 | 439,822 |
| Other financial liabilities | 293 | 197 | 67 | 150 | 707 | 12,419 | 13,126 |
| | 1,271,860 | 32,787 | 7,595 | 6,836 | 1,319,078 | 1,092,861 | 2,411,939 |
| Net position – on balance | (250,659) | 506 | 12,174 | 7,534 | (230,445) | 611,285 | 380,840 |
| Net position - off balance | 247,430 | (290) | (6,894) | (6,040) | 234,206 | (226,440) | |
| Net position | (3,229) | 216 | 5,280 | 1,494 | 3,761 | 384,845 | |

| | 31 December 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | USD | EURO | RUR | Other | TOTAL foreign currencies | KZT | TOTAL |
| **FINANCIAL ASSETS:** | | | | | | | |
| Cash and cash equivalents | 399,727 | 44,879 | 9,395 | 13,434 | 467,435 | 73,102 | 540,537 |
| Obligatory reserves | 29,053 | 980 | 333 | 356 | 30,722 | 17,503 | 48,225 |
| Financial assets at fair value through profit or loss | 578 | - | - | 86 | 664 | 15,063 | 15,727 |
| Amounts due from credit institutions | 2,490 | - | - | - | 2,490 | 24,605 | 27,095 |
| Available-for-sale investment securities | 190,531 | 1,057 | 1,059 | 1,617 | 194,264 | 192,159 | 386,423 |
| Loans to customers | 427,775 | 4,289 | 8,208 | 9,011 | 449,283 | 1,198,730 | 1,648,013 |
| Other financial assets | 1,399 | 26 | 76 | 63 | 1,564 | 6,929 | 8,493 |
| | 1,051,553 | 51,231 | 19,071 | 24,567 | 1,146,422 | 1,528,091 | 2,674,513 |
| **FINANCIAL LIABILITIES:** | | | | | | | |
| Amounts due to customers | 1,139,993 | 52,080 | 3,135 | 7,976 | 1,203,184 | 645,029 | 1,848,213 |
| Amounts due to credit institutions | 11,672 | 290 | 802 | 399 | 13,163 | 94,029 | 107,192 |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - | 3,131 | 3,131 |
| Debt securities issued | 195,266 | - | - | - | 195,266 | 115,743 | 311,009 |
| Other financial liabilities | 199 | 118 | 32 | 173 | 522 | 9,831 | 10,353 |
| | 1,347,130 | 52,488 | 3,969 | 8,548 | 1,412,135 | 867,763 | 2,279,898 |
| Net position – on balance | (295,577) | (1,257) | 15,102 | 16,019 | (265,713) | 660,328 | 394,615 |
| Net position – off-balance | 318,777 | (346) | (9,171) | (13,591) | 295,669 | (295,669) | |
| Net position | 23,200 | (1,603) | 5,931 | 2,428 | 29,956 | 364,659 | |

### 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.

| | 30 June 2015 (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 | 620,350 | - | - | - | - | 620,350 |
| Obligatory reserves | 23,428 | 2,406 | 10,680 | 2,765 | 2,011 | 41,290 |
| Financial assets at fair value through profit or loss | 2,160 | - | 2,608 | 6,361 | - | 11,129 |
| Amounts due from credit institutions | 3,663 | 705 | 11,577 | 11,726 | 18,593 | 46,264 |
| Available-for-sale investment securities | 2,834 | 7,478 | 19,803 | 142,156 | 135,249 | 307,520 |
| Loans to customers | 114,839 | 164,353 | 1,173,046 | 224,800 | 81,522 | 1,758,560 |
| Other financial assets | 4,737 | 190 | 2,580 | 109 | 50 | 7,666 |
| | 772,011 | 175,132 | 1,220,294 | 387,917 | 237,425 | 2,792,779 |
| **FINANCIAL LIABILITIES:** | | | | | | |
| Amounts due to customers | 1,004,725 | 116,497 | 575,166 | 65,936 | 77,531 | 1,839,855 |
| Amounts due to credit institutions | 11,888 | 610 | 8,444 | 25,654 | 72,467 | 119,063 |
| Financial liabilities at fair value through profit or loss | 73 | - | - | - | - | 73 |
| Debt securities issued | 5,785 | 3,812 | 10,751 | 112,828 | 306,646 | 439,822 |
| Other financial liabilities | 8,539 | 691 | 3,749 | 141 | 6 | 13,126 |
| | 1,031,010 | 121,610 | 598,110 | 204,559 | 456,650 | 2,411,939 |
| Net position | (258,999) | 53,522 | 622,184 | 183,358 | (219,225) | |
| Accumulated gap | (258,999) | (205,477) | 416,707 | 600,065 | 380,840 | |

| | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | | | **31 December 2014** | | | |
| **FINANCIAL ASSETS:** | | | | | | |
| Cash and cash equivalents | 537,252 | 3,285 | - | - | - | 540,537 |
| Obligatory reserves | 26,799 | 3,353 | 12,141 | 3,320 | 2,612 | 48,225 |
| Financial assets at fair value through profit or loss | 7,951 | - | 2,064 | 5,712 | - | 15,727 |
| Amounts due from credit institutions | 2,734 | 8,279 | 1,773 | 14,309 | - | 27,095 |
| Available-for-sale investment securities | 6,007 | 2,878 | 52,498 | 196,413 | 128,627 | 386,423 |
| Loans to customers | 154,159 | 172,535 | 1,011,360 | 235,171 | 74,788 | 1,648,013 |
| Other financial assets | 7,909 | 389 | 142 | 15 | 38 | 8,493 |
| | 742,811 | 190,719 | 1,079,978 | 454,940 | 206,065 | 2,674,513 |
| **FINANCIAL LIABILITIES:** | | | | | | |
| Amounts due to customers | 995,765 | 215,470 | 489,419 | 104,434 | 43,125 | 1,848,213 |
| Amounts due to credit institutions | 24,908 | - | 274 | 3,837 | 78,173 | 107,192 |
| Financial liabilities at fair value through profit or loss | 3,131 | - | - | - | - | 3,131 |
| Debt securities issued | 2,797 | - | 13,754 | 113,869 | 180,589 | 311,009 |
| Other financial liabilities | 9,310 | 237 | 729 | 74 | 3 | 10,353 |
| | 1,035,911 | 215,707 | 504,176 | 222,214 | 301,890 | 2,279,898 |
| Net position | (293,100) | (24,988) | 575,802 | 232,726 | (95,825) | |
| Accumulated gap | (293,100) | (318,088) | 257,714 | 490,440 | 394,615 | |

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 has been 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.

## 30. SEGMENT ANALYSIS

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

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

Corporate banking represents bank services to corporate clients and financial organizations including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

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

Other represents capital market services.

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

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

There were no transactions between business segments during the six months ended 30 June 2015 and 2014.

Segment information for the main reportable business segments of the Group as at 30 June 2015 and 2014 and for the six months then ended is set out below:

| | Retail banking | Corporate banking | SME banking | Other | Unallocated | Total |
|---|---|---|---|---|---|---|
| **As at 30 June 2015 and for the six months then ended (unaudited)** | | | | | | |
| External revenues | 63,932 | 55,664 | 16,328 | 11,784 | 13,274 | 160,982 |
| Total revenues | 63,932 | 55,664 | 16,328 | 11,784 | 13,274 | 160,982 |
| **Total revenues comprise:** | | | | | | |
| - Interest income | 43,403 | 51,710 | 12,962 | 10,211 | - | 118,286 |
| - Fee and commission income | 18,833 | 2,375 | 2,866 | 1,306 | 136 | 25,516 |
| - Net gain from financial assets and liabilities at fair value through profit or loss | - | - | - | 267 | - | 267 |
| - Net gain on foreign exchange operations | 1,696 | 1,560 | 520 | - | - | 3,776 |
| - Insurance underwriting income and other income | - | - | - | - | 13,135 | 13,135 |
| - Recovery of other provisions/(other provisions) | - | 19 | (20) | - | 3 | 2 |
| Total revenues | 63,932 | 55,664 | 16,328 | 11,784 | 13,274 | 160,982 |
| - Interest expense | (17,158) | (24,402) | (1,237) | - | - | (42,797) |
| - (Impairment charge)/recovery of provisions | (7,144) | 12,876 | (6,715) | (372) | (270) | (1,625) |
| - Fee and commission expense | (3,900) | (114) | (100) | (61) | (590) | (4,765) |
| - Operating expenses | (18,110) | (2,187) | (3,256) | (390) | (7,642) | (31,585) |
| - Net realized loss from available-for-sale investment securities | - | (1,301) | - | - | - | (1,301) |
| - Insurance claims incurred, net of reinsurance | - | - | - | - | (10,336) | (10,336) |
| Segment result | 17,620 | 40,536 | 5,020 | 10,961 | (5,564) | 68,573 |
| Income before income tax expense | | | | | | 68,573 |
| Income tax expense | | | | | (13,296) | (13,296) |
| Net income | | | | | | 55,277 |
| Total segment assets | 1,669,183 | 495,508 | 220,786 | 309,476 | 260,522 | 2,955,475 |
| Total segment liabilities | 1,291,946 | 856,929 | 241,514 | - | 89,795 | 2,480,184 |
| Other segment items: | | | | | | |
| Capital expenditures | | | | | (16,045) | (16,045) |
| Depreciation and amortization | | | | | (3,115) | (3,115) |

| | Retail banking | Corporate banking | SME banking | Other | Unallocated | Total |
|---|---|---|---|---|---|---|
| **As at 30 June 2014 and for the six months then ended (unaudited)** | | | | | | |
| External revenues | 51,587 | 56,583 | 15,915 | 23,385 | 9,978 | 157,448 |
| Total revenues | 51,587 | 56,583 | 15,915 | 23,385 | 9,978 | 157,448 |
| **Total revenues comprise:** | | | | | | |
| - Interest income | 33,585 | 48,958 | 11,010 | 10,035 | - | 103,588 |
| - Fee and commission income | 15,223 | 2,609 | 2,725 | 13,291 | 17 | 33,865 |
| - Net realized gain from available-for-sale investment securities | - | - | - | 59 | - | 59 |
| - Net gain on foreign exchange operations | 2,779 | 1,305 | 1,817 | - | - | 5,901 |
| - Insurance underwriting income and other income | - | - | - | - | 9,963 | 9,963 |
| - Recovery of other provisions/(other provisions) | - | 3,711 | 363 | - | (2) | 4,072 |
| Total revenues | 51,587 | 56,583 | 15,915 | 23,385 | 9,978 | 157,448 |
| - Interest expense | (21,329) | (16,412) | (1,041) | - | - | (38,782) |
| - (Impairment charge)/recovery of provisions | (2,812) | (522) | 1,566 | 50 | 358 | (1,360) |
| - Fee and commission expense | (3,294) | (223) | (90) | (520) | (9) | (4,136) |
| - Operating expenses | (13,701) | (2,450) | (2,997) | (363) | (8,812) | (28,323) |
| - Net loss from financial assets and liabilities at fair value through profit or loss | - | (66) | - | - | - | (66) |
| - Insurance claims incurred, net of reinsurance | - | - | - | - | (6,132) | (6,132) |
| Segment result | 10,451 | 36,910 | 13,353 | 22,552 | (4,617) | 78,649 |
| Income before income tax expense | | | | | | 78,649 |
| Income tax expense | | | | | (14,613) | (14,613) |
| Net income | | | | | | 64,036 |
| Total segment assets | 373,907 | 1,695,754 | 187,660 | 369,514 | 183,743 | 2,810,578 |
| Total segment liabilities | (944,172) | (1,104,311) | (246,458) | (762) | (77,102) | (2,372,805) |
| Other segment items: | | | | | | |
| Capital expenditures | | | | | (2,069) | (2,069) |
| Depreciation and amortization | | | | | (2,490) | (2,490) |

### Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2015 and 31 December 2014 and for the six months ended 30 June 2015 and 2014.

| | Kazakhstan | OECD | Non-OECD | Total |
|---|---|---|---|---|
| **30 June 2015 (unaudited)** | | | | |
| Total assets | 2,698,553 | 188,424 | 68,498 | 2,955,475 |
| **31 December 2014** | | | | |
| Total assets | 2,547,344 | 185,108 | 77,330 | 2,809,782 |
| **Six months ended 30 June 2015 (unaudited)** | | | | |
| External revenues | 157,365 | 431 | 3,186 | 160,982 |
| Capital expenditure | (16,045) | - | - | (16,045) |
| **Six months ended 30 June 2014 (unaudited)** | | | | |
| External revenues | 152,571 | 1,390 | 3,487 | 157,448 |
| Capital expenditure | (2,069) | - | - | (2,069) |

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.

## 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2015 and 31 December 2014, before any allowances for impairment losses:

| Financial Assets/Liabilities | Fair value hierarchy | | | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **30 June 2015 (unaudited)** | **31 December 2014** | | | | |
| Non-derivative financial assets at fair value through profit or loss (Note 7) | 1,586 | 3,633 | Level 1 | Quoted bid prices in an active market. | Not applicable | Not applicable |
| Derivative financial assets at fair value through profit or loss (Note 7) | 508 | 4,318 | Level 2 | Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). | Not applicable | Not applicable |
| Derivative financial assets at fair value through profit or loss excluding options (Note 7) | 8,966 | 7,776 | Level 3 | Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition. | KZT implied rate | The greater KZT implied rate – the smaller the fair value |
| Derivative financial liabilities at fair value through profit or loss - options (Note 7) | 73 | 3,131 | 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 financial assets at fair value through profit or loss (Note 7) | 69 | - | Level 2 | KASE rates and valuation model based on the observable market data. | Not applicable | Not applicable |
| Non-derivative available-for-sale investment securities (Note 9) | 306,176 | 384,327 | 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) | 165 | 172 | 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 securities (Note 9) | 1,179 | 1,924 | Level 3 | Valuation model based on internal rating model | Percentage discount | The greater discount - the smaller the fair value |

There were no transfers between Level 1 and 2 during the six months ended 30 June 2015 and 2014.

| | Financial assets at fair value through profit or loss (Level 3) | Available-for-sale investment securities Unquoted equity securities (Level 3) |
|---|---|---|
| **31 December 2013** | - | 1,123 |
| Redemptions and sale | - | (21) |
| **30 June 2014 (unaudited)** | - | 1,102 |
| | | |
| **31 December 2014** | 7,776 | 1,924 |
| Total gains or losses | 1,190 | (214) |
| Redemption/sale | - | (531) |
| **30 June 2015 (unaudited)** | 8,966 | 1,179 |

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

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

*Amounts due from and to credit institutions*

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

*Loans to customers*

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

*Amounts due to customers*

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

*Debt securities issued*

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

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

| | 30 June 2015 (unaudited) | | 31 December 2014 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial assets** | | | | |
| Amounts due from credit institutions | 46,264 | 47,465 | 27,095 | 27,296 |
| Loans to customers | 1,758,560 | 1,652,337 | 1,648,013 | 1,742,664 |
| **Financial liabilities** | | | | |
| Amounts due to customers | 1,839,855 | 1,967,755 | 1,848,213 | 1,850,824 |
| Amounts due to credit institutions | 119,063 | 125,293 | 107,192 | 128,956 |
| Debt securities issued | 439,822 | 448,723 | 311,009 | 323,244 |

| | 30 June 2015 (unaudited) | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Amounts due from credit institutions | - | 47,465 | - | 47,465 |
| Loans to customers | - | - | 1,652,337 | 1,652,337 |
| **Financial liabilities** | | | | |
| Amounts due to customers | - | 1,967,755 | - | 1,967,755 |
| Amounts due to credit institutions | - | 125,293 | - | 125,293 |
| Debt securities issued | 448,723 | - | - | 448,723 |

| | 31 December 2014 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Amounts due from credit institutions | - | 27,296 | - | 27,296 |
| Loans to customers | - | - | 1,742,664 | 1,742,664 |
| **Financial liabilities** | | | | |
| Amounts due to customers | - | 1,850,824 | - | 1,850,824 |
| Amounts due to credit institutions | - | 128,956 | - | 128,956 |
| Debt securities issued | 323,244 | - | - | 323,244 |

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

## 32. RELATED PARTY TRANSACTIONS

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

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

The Group had the following balances outstanding as at 30 June 2015 and 31 December 2015 with related parties:

| | 30 June 2015 (unaudited) | | 31 December 2014 | |
|---|---|---|---|---|
| | **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 | 4,185 | 2,039,598 | 4,597 | 1,934,031 |
| *- entities with joint control or significant influence over the entity* | 4,101 | | 4,597 | |
| *- key management personnel of the entity or its parent* | 71 | | - | |
| *- other related parties* | 13 | | - | |
| Allowance for impairment losses | (22) | (281,038) | (15) | (286,018) |
| *- entities with joint control or significant influence over the entity* | (22) | | (15) | |
| Amounts due to customers | 80,549 | 1,839,855 | 105,405 | 1,848,213 |
| *- the parent* | 44,094 | | 73,757 | |
| *- entities with joint control or significant influence over the entity* | 6,903 | | 8,086 | |
| *- key management personnel of the entity or its parent* | 5,002 | | 5,903 | |
| *- other related parties* | 24,550 | | 17,659 | |

Included in the interim consolidated statement of profit or loss for the six months ended 30 June 2015 and 2014 are the following amounts which arose due to transactions with related parties:

| | Six months ended 30 June 2015 (unaudited) | | Six months ended 30 June 2014 (unaudited) | |
|---|---|---|---|---|
| | **Related party transactions** | **Total category as per financial statements caption** | **Related party transactions** | **Total category as per financial statements caption** |
| Interest income | 238 | 118,286 | 317 | 103,588 |
| *- entities with joint control or significant influence over the entity* | 233 | | 297 | |
| *- key management personnel of the entity or its parent* | 4 | | 20 | |
| *- other related parties* | 1 | | - | |
| Interest expense | (1,278) | (42,797) | (1,983) | (38,782) |
| *- the parent* | (992) | | (1,611) | |
| *- key management personnel of the entity or its parent* | (115) | | (82) | |
| *- other related parties* | (170) | | (290) | |
| *- entities with joint control or significant influence over the entity* | (1) | | - | |

| | Six months ended 30 June 2015 (unaudited) | | Six months ended 30 June 2014 (unaudited) | |
|---|---|---|---|---|
| | **Related party transactions** | **Total category as per financial statements caption** | **Related party transactions** | **Total category as per financial statements caption** |
| Key management personnel compensation: | 1,204 | 18,671 | 1,025 | 16,585 |
| *- short-term employee benefits* | 1,204 | | 1,025 | |

## 33. EVENTS AFTER THE REPORTING DATE

On 8 July 2015, the Bank repurchased its convertible treasury preferred shares on KASE at KZT 140.00 per share for the total amount of KZT 1,198 million.

On 10 July 2015, the Bank repaid 10-year KZT 2,963 million (nominal value) subordinated local bonds, issued in accordance with the legislation of the Republic of Kazakhstan, bearing a coupon of 7.5% per annum.