JSC HALYK BANK

Interim Condensed Consolidated
Financial Information (Unaudited)
For the nine months ended 30 September 2017

JSC Halyk Bank

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JSC Halyk Bank

Statement of Management's Responsibilities
For the Preparation and Approval of the Interim Condensed Consolidated Financial Information
For the Nine Months Ended 30 September 2017 (Unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 September 2017, the results of its operations for the three and nine months then ended, and cash flows and changes in equity for the nine months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2017 was authorized for issue by the Management Board on 15 November 2017.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2017
Almaty, Kazakhstan

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (the "Group") as at 30 September 2017 and the related interim consolidated statements of profit or loss, and other comprehensive income for the three and nine months then ended, and interim consolidated statements of changes in equity and cash flows for the nine months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of 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

15 November 2017
Almaty, Kazakhstan

JSC Halyk Bank

Interim Consolidated Statement of Financial Position
As at 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Notes	30 September 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash equivalents	6	1,616,411	1,774,519
Obligatory reserves	7	110,521	76,122
Financial assets at fair value through profit or loss	8	297,121	328,737
Amounts due from credit institutions	9	77,056	35,542
Available-for-sale investment securities	10	2,476,176	599,624
Precious metals		5,091	1,684
Loans to customers	11, 33	3,123,070	2,319,583
Investment property		34,161	30,146
Commercial property		52,460	10,202
Property and equipment		138,848	94,897
Goodwill		3,085	4,954
Intangible assets		9,031	9,179
Current income tax assets	19	27,207	3,222
Deferred income tax assets	19	367	831
Insurance assets	12	44,660	28,354
Other assets	13	78,111	20,590
		8,093,376	5,338,186
Assets classified as held for sale	14	581,208	10,297
TOTAL ASSETS		**8,674,584**	**5,348,483**
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	15, 33	6,076,281	3,820,662
Amounts due to credit institutions	16	154,892	162,134
Financial liabilities at fair value through profit or loss	8	5,575	2,841
Debt securities issued	17	988,774	584,933
Provisions	18	17,449	987
Current income tax liability	19	1,059	3,311
Deferred tax liability	19	22,564	23,181
Insurance liabilities	12	143,154	64,374
Other liabilities	20	65,254	20,467
		7,475,002	4,682,890
Liabilities directly associated with assets classified as held for sale	14	372,899	-
Total liabilities		**7,847,901**	**4,682,890**
EQUITY			
Share capital	21	143,695	143,695
Share premium reserve		1,863	1,911
Treasury shares		(106,176)	(103,121)
Retained earnings and other reserves		786,677	623,108
		826,059	665,593
Non-controlling interest		624	-
Total equity		**826,683**	**665,593**
TOTAL LIABILITIES AND EQUITY		**8,674,584**	**5,348,483**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2017
Almaty, Kazakhstan

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

JSC Halyk Bank

Interim Consolidated Statement of Profit or Loss
For the Three and Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)*	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)*
CONTINUING OPERATIONS					
Interest income	23, 33	154,347	86,175	339,052	244,046
Interest expense	23, 33	(86,314)	(40,092)	(172,236)	(118,844)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	23	68,033	46,083	166,816	125,202
Impairment charge	18	(13,322)	(8,116)	(24,153)	(18,667)
NET INTEREST INCOME		54,711	37,967	142,663	106,535
Fee and commission income	24	28,893	14,700	58,880	42,292
Fee and commission expense		(9,922)	(2,324)	(16,029)	(8,427)
Fees and commissions, net		18,971	12,376	42,851	33,865
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	25	67,018	(4,197)	59,537	(9,379)
Net realized gain from available-for-sale investment securities		609	1,821	827	2,846
Net foreign exchange (loss)/gain	26	(61,699)	6,174	(48,165)	11,731
Insurance underwriting income	27	16,143	7,607	36,428	19,942
Other income		7,174	1,219	9,439	3,968
OTHER NON-INTEREST INCOME		29,245	12,624	58,066	29,108
Operating expenses	28	(27,870)	(16,046)	(66,114)	(47,065)
Recovery of provisions/(provisions)	18	151	(1)	462	22
Insurance claims incurred, net of reinsurance	27	(13,785)	(6,848)	(32,868)	(18,043)
NON-INTEREST EXPENSES		(41,504)	(22,895)	(98,520)	(65,086)
INCOME BEFORE INCOME TAX EXPENSE		61,423	40,072	145,060	104,422
Income tax expense	19	(7,524)	(5,395)	(17,431)	(16,457)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		53,899	34,677	127,629	87,965
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	14	2,590	2,187	7,742	6,036
NET PROFIT		**56,489**	**36,864**	**135,371**	**94,001**
Attributable to:					
Non-controlling interest		50	-	50	-
Owners of the Parent		56,439	36,864	135,321	94,001
		56,489	**36,864**	**135,371**	**94,001**
EARNINGS PER SHARE	29				
Basic earnings per share (in Kazakhstani Tenge)		5.13	3.35	12.31	8.94
Diluted earnings per share (in Kazakhstani Tenge)		5.13	3.35	12.31	8.94
Basic earnings per share from continuing operations (in Kazakhstani Tenge)		4.90	3.15	11.60	8.36
Diluted earnings per share from continuing operations (in Kazakhstani Tenge)		4.90	3.15	11.60	8.39

*Recalculated due to presentation of JSC Altyn Bank as discontinued operations. For further reference, please see note 14.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board
15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant
15 November 2017
Almaty, Kazakhstan

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

JSC Halyk Bank

Interim Consolidated Statement of Other Comprehensive Income
For the Three and Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Net profit	56,489	36,864	135,371	94,001
Other comprehensive income:				
Items that will not to be subsequently reclassified to profit or loss:				
Loss on revaluation of property (net of tax – KZT Nil)	(117)	(1)	(119)	(210)
Items that may be subsequently reclassified to profit or loss:				
Gain on revaluation of available-for-sale investment securities (net of tax – KZT Nil)	18,926	10,267	29,639	10,589
Reclassification adjustment relating to available-for-sale investment securities impaired during the period (net of tax – KZT Nil)	17	(529)	(551)	(211)
Reclassification adjustment relating to available-for-sale investment securities disposed of in the period (net of tax – KZT Nil)	(609)	(1,821)	(827)	(2,846)
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	3,715	(301)	4,045	1,537
Other comprehensive income for the period	21,932	7,615	32,187	8,859
Total comprehensive income	**78,421**	**44,479**	**167,558**	**102,860**
Attributable to:				
Non-controlling interest	50	-	50	-
Owners of the Parent	78,371	44,479	167,508	102,860
	78,421	**44,479**	**167,558**	**102,860**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2017
Almaty, Kazakhstan

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

JSC Halyk Bank

Interim Consolidated Statement of Changes in Equity
For the Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2016	143,695	1,911	(103,121)	5,097	(15,679)	16,609	617,081	665,593	-	665,593
Net income	-	-	-	-	-	-	135,321	135,321	50	135,371
Other comprehensive income/(loss)	-	-	-	4,045	28,261	(119)	-	32,187	-	32,187
Total comprehensive income/(loss)	-	-	-	4,045	28,261	(119)	135,321	167,508	50	167,558
Treasury shares purchased	-	(48)	(3,529)	-	-	-	-	(3,577)	-	(3,577)
Treasury shares sold	-	-	474	-	-	-	-	474	-	474
Insurance bonuses to the insured	-	-	-	-	-	-	(12)	(12)	-	(12)
Purchase of additional share capital of JSC Kazkommertsbank	-	-	-	-	-	-	(3,927)	(3,927)	7	(3,920)
Change in the share related to the acquisition of JSC Kazkommertsbank	-	-	-	-	-	-	-	-	567	567
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(862)	862	-	-	-
30 September 2017 (unaudited)	143,695	1,863	(106,176)	9,142	12,582	15,628	749,325	826,059	624	826,683

Interim Consolidated Statement of Changes in Equity (Continued)
For the Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Share capital									
	Common Shares	**Non-convertible preferred shares**	**Convertible preferred shares**	**Share premium reserve**	**Treasury shares**	**Cumulative translation reserve***	**Revaluation reserve of available-for-sale investment securities***	**Property revaluation reserve***	**Retained earnings***	**Total equity**
31 December 2015	83,571	46,891	13,233	2,039	(103,175)	4,695	(19,404)	16,416	485,662	529,928
Net income	-	-	-	-	-	-	-	-	94,001	94,001
Other comprehensive income/(loss)	-	-	-	-	-	1,537	7,532	(210)	-	8,859
Total comprehensive income/(loss)	-	-	-	-	-	1,537	7,532	(210)	94,001	102,860
Exchange of preferred shares to common shares	60,124	(46,891)	(13,233)	(96)	-	-	-	-	-	(96)
Treasury shares purchased	-	-	-	(27)	(390)	-	-	-	-	(417)
Treasury shares sold	-	-	-	-	444	-	-	-	-	444
Dividends – preferred shares	-	-	-	-	-	-	-	-	(333)	(333)
Insurance bonuses to the insured	-	-	-	-	-	-	-	-	(6)	(6)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets		-	-			-	-	(197)	197	-
30 September 2016 (unaudited)	143,695	-	-	1,916	(103,121)	6,232	(11,872)	16,009	579,521	632,380

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2017
Almaty, Kazakhstan

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

Interim Consolidated Statement of Cash Flows
For the Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from cash equivalents and amounts due from credit institutions	14,203	11,344
Interest received from financial assets at fair value through profit or loss	125	52
Interest received on available-for-sale investment securities	20,637	11,013
Interest received from loans to customers	211,024	183,155
Interest paid on due to customers	(133,693)	(84,893)
Interest paid on due to credit institutions	(3,792)	(5,737)
Interest paid on debt securities issued	(34,158)	(33,290)
Fee and commission received	57,962	41,890
Fee and commission paid	(15,986)	(9,024)
Insurance underwriting income received	23,194	14,655
Ceded insurance share paid	(7,026)	(2,748)
Payment for derivative operations	3,006	7,266
Other income received	9,439	3,970
Operating expenses paid	(48,382)	(38,822)
Insurance claims paid	(23,269)	(12,880)
Cash flows from operating activities before changes in net operating assets	73,284	85,951
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(31,086)	(3,253)
Financial assets at fair value through profit or loss	293,730	(225,651)
Amounts due from credit institutions	46,387	11,766
Precious metals	(591)	(9)
Loans to customers	(39,698)	(7,067)
Investment property	-	(5,661)
Assets held-for-sale	-	1,195
Insurance assets	12,171	(3,171)
Other assets	(55,403)	2,364
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(326,550)	106,191
Amounts due to credit institutions	(99,324)	8,074
Financial liabilities at fair value through profit or loss	(397)	(4,858)
Insurance liabilities	9,277	12,974
Other liabilities	(132,139)	523
Net cash outflow from operating activities before income tax	(250,339)	(20,632)
Income tax (paid)/received	(43,821)	7,373
Net cash outflow from operating activities	(294,160)	(13,259)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of available-for-sale investment securities	584,790	186,797
Purchase of available-for-sale investment securities	(947,416)	(187,717)
Purchase of held to maturity investments	-	(43,601)
Net cash inflow on acquisition of a subsidiary	678,622	-
Purchase and prepayment for property and equipment and intangible assets	(5,288)	(26,466)
Proceeds on sale of property and equipment	1,799	10,934
Proceeds on sale of commercial property	2,062	-
Capital expenditure on commercial property	(1,019)	-
Net cash inflow/(outflow) from investing activities	313,550	(60,053)

JSC Halyk Bank

Interim Consolidated Statement of Cash Flows (Continued)
For the Nine Months Ended 30 September 2017 (Unaudited)
(millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of compensation for exchange of preferred shares to common shares		-	(96)
Proceeds on sale of treasury shares		474	444
Purchase of treasury shares		(3,577)	(417)
Dividends paid – preferred shares		-	(333)
Redemption and repayment of debt securities issued		(204,337)	(32,781)
Proceeds from debt securities issued		-	29,786
Net cash outflow from financing activities		(207,440)	(3,397)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		29,942	2,769
Net change in cash and cash equivalents		(158,108)	(73,940)
CASH AND CASH EQUIVALENTS, beginning of the period	**6**	**1,774,519**	**1,404,680**
CASH AND CASH EQUIVALENTS, end of the period	**6**	**1,616,411**	**1,330,740**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

15 November 2017
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

15 November 2017
Almaty, Kazakhstan

The notes on pages 10 to 52 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, Georgia, Kyrgyzstan, Russia, and Tajikistan, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the National Bank of the Republic of Kazakhstan ("NBRK") on 8 November 2016. The Bank is a member of the obligatory deposit insurance system provided by the 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 channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE"). In addition, the Bank's Global Depository Receipts ("GDRs") and Eurobonds are primary listed on the London Stock Exchange.

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

As at 30 September 2017, the Bank operated through its head office in Almaty and its 45 regional branches (including 23 regional branches of JSC Kazkommertsbank ("KKB")), 122 sub-regional offices and 552 cash settlement units (including 197 cash settlement units of KKB) (31 December 2016 – 22, 122 and 365, respectively) located throughout Kazakhstan. The Bank's registered office address is: 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 September 2017, the number of the Group's full-time equivalent employees was 18,823 (31 December 2016 – 11,402).

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2017 was authorized for issue by the Management Board on 15 November 2017.

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2016, the oil price decreased significantly, which led to a significant decrease in the national export revenue. On 20 August 2015, the Government and the NBRK announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. As a result, the tenge depreciated significantly against major foreign currencies. During September-December 2015 and January-February 2016, the dollarization level in the Kazakh economy kept growing, which resulted in significant shortage of tenge liquidity in the banking system, record levels of interest rates on the money market and suspension in lending activity. In February 2016, the NBRK introduced the base rate of 17% ± 2% and adopted an inflation targeting policy. These measures by the NBRK reduced both the tenge shortage in the system and average inflation levels.

As at 30 September 2017, the base rate set by the NBRK was 10.25% ± 1% (12% ± 1% as at 31 December 2016). During the third quarter 2017, the decrease of the base rate decelerated. Due to relatively high cost of funding during the 9 months 2017, the demand for new loans continued to be relatively low, while KZT liquidity in the banking system demonstrated excess levels, including on the back of dedollarisation of the client deposit base. Short-term notes of the NBRK remain the key instrument to withdraw excess tenge liquidity from the system. Compared to the end of 2016, the operating environment for the 9 months ended 30 September 2017, has not changed significantly.

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

(millions of Kazakhstani Tenge)

As at 30 September 2017 and 31 December 2016, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

30 September 2017

	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation
JSC HG Almex	8,086,451,772	73.5%	8,086,451,772	73.5%
Unified Accumulative Pension Fund Joint Stock Company	716,281,746	6.5%	716,281,746	6.5%
GDR holders	1,852,781,840	16.9%	1,852,781,840	16.9%
Other	339,160,070	3.1%	339,160,070	3.1%
Total shares in circulation (on consolidated basis)	10,994,675,428	100%	10,994,675,428	100%

31 December 2016

	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation
JSC HG Almex	8,086,451,772	73.6%	8,086,451,772	73.6%
Unified Accumulative Pension Fund Joint Stock Company	716,281,746	6.5%	716,281,746	6.5%
GDR holders	1,853,975,480	16.8%	1,853,975,480	16.8%
Other	336,910,333	3.1%	336,910,333	3.1%
Total shares in circulation (on consolidated basis)	10,993,619,331	100%	10,993,619,331	100%

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 2016 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 2016 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 2016 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following immediate subsidiaries:

Subsidiary	Holding, %		Country	Industry
	30 September 2017 (unaudited)	31 December 2016		
JSC Kazkommertsbank*	99.72	-	Kazakhstan	Banking
Halyk-Leasing JSC	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
Halyk Finance JSC	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
Kazakhinstrakh JSC	100	100	Kazakhstan	Insurance
OJSC NBK-Bank	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Altyn Bank (SB of JSC Halyk Bank)**	100	100	Kazakhstan	Banking

*See Note 5.
**See Note 14.

On 5 July 2017, the Bank completed acquisition of 96.81% of ordinary shares in KKB, including 86.09% from Mr.K.Rakishev and 10.72% from JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna").

On 10 July 2017, to comply with the legislative requirements of the Republic of Kazakhstan, the Bank made a tender offer to the shareholders of KKB for the purchase of outstanding common shares (including global depositary receipts ("GDR"), the underlying assets of which are common shares of KKB) and preference shares (including GDRs, the underlying assets of which are preference shares of KKB).

On 12 July 2017, the Bank realised its pre-emptive right and purchased 1,296,698,676 ordinary shares of KKB for a total of KZT 185 billion, increasing its stake in the issued capital of KKB to 98.79%.

As at 29 August 2017, the Bank completed its transactions for the purchase of KKB's 13,687,609 ordinary shares at KZT 142.67 per share, 31,311 preference shares at KZT 71.55 per share, 3,081,552 GDR representing such KKB's issued ordinary shares at USD 0.86 per GDR and 14,655,549 GDR representing such KKB's issued preference shares at USD 0.43 per GDR.

As at 30 September 2017, the Bank held 99.72% of KKB's outstanding ordinary shares and 23.55% of KKB's outstanding preference shares.

For further information about the purchase of KKB, please see note 5.

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 2016, except for the adoption of new standards and amendments effective as at 1 January 2017. The nature and the impact of each amendment that is relevant to the Group's operations is described below:

Amendments to IAS 7 Statement of *Cash Flows: Disclosure Initiative*. The amendments require the Group to provide disclosures that enable to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendments apply prospectively. Entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed financial statements, but will disclose additional information in its financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for *Unrecognised Losses.* The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

This application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

The application of these amendments has no material effect on the Group's financial information.

(millions of Kazakhstani Tenge)

Annual Improvements to IFRSs 2014-2016 Cycle

The Group applied amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle for the first time in these financial statements. The other amendments included in the package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale or included in the disposal group. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has no impact on the Group's interim condensed consolidated financial information, as the Group does not present related IFRS 12 disclosures in its interim condensed consolidated financial information.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*.

IFRS 17 *Insurance Contracts* was issued in May 2017 and supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. It is not practicable to provide a reasonable estimate of the effect of IFRS 17 until a detailed review has been completed by management.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are 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 2016 prepared in accordance with IFRS.

5. Acquisition

The Group acquired the following subsidiary during the nine months ended 30 September 2017.

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration transferred in KZT
2017				
JSC Kazkommertsbank	Bank	5 July 2017	96.81%	2

KKB is consolidated from 5 July 2017, on which date the control was transferred to the Group. The assets and liabilities of KKB were recognized at fair value. The income statement of KKB up to acquisition was not recognized.

(millions of Kazakhstani Tenge)

	Fair value at acquisition
Assets	
Cash and cash equivalents	678,622
Obligatory reserves	3,313
Financial assets at fair value through profit or loss	197,071
Amounts due from credit institutions	24,675
Available-for-sale investment securities	1,434,422
Precious metals	3,065
Loans to customers	780,866
Assets held-for-sale	138,568
Property and equipment	49,009
Intangible assets*	3,199
Deferred income tax assets	1,779
Insurance assets	15,211
Other assets	99,811
TOTAL ASSETS	3,429,611
Liabilities	
Amounts due to customers	2,584,187
Amounts due to credit institutions	70,650
Financial liabilities at fair value through profit or loss	3,132
Debt securities issued	579,622
Provisions	17,362
Deferred tax liability	200
Insurance liability	66,931
Other liabilities	107,487
TOTAL LIABILITIES	3,429,611
Total identifiable net assets at fair value	-
Non-controlling interest measured at fair value	7

Fair value of cash and cash equivalents received at acquisition amounted to KZT 678,622 million as disclosed in the table above.

The assets acquired and liabilities assumed are assessed at fair value as at the acquisition date in accordance with IFRS 3 requirements.

Management considered that the carrying amounts of cash and cash equivalents and obligatory reserves approximate their fair values at acquisition date due to its short-term maturity.

Property and assets held for sale were assessed using market comparable approach that reflects transaction prices for similar properties at acquisition date.

The software of KKB is recognized in the consolidated financial statements of Group as an intangible asset, as it meets intangible asset recognition criteria in accordance with IFRS 3 (i.e. it may be separated, it is controlled by the Group, and generates economic benefits). The fair value of the software is estimated using market valuation approach.

For 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. For loans where such estimation was not applicable, the estimate was made based on the discounting of future cash flows from realization of collateral.

For amounts due from credit institutions and amounts due to credit institutions 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.

Interest rates charged to customers closely approximate market interest rates and accordingly, thus the carrying amount of customers' accounts approximate its fair value.

(millions of Kazakhstani Tenge)

To determine the fair value of the bonds issued by KKB, the Group used the relevant KASE quotes. Where the Group believes that KASE quotes do not reflect actual price of the securities (in case of low volume speculative transactions at non-market price) it uses different valuation methods. For example, to determine the fair value of some securities issued by KKB the Group based its valuation on the current yield to maturity (using base rate and credit spread). Other similar valuation methods would include such criteria as maturity, cash flow structure, currency and credit risk.

Impact of acquisitions on the results of the Group

The profit of acquired subsidiary from the acquisition date to reporting date included in the interim consolidated statement of profit or loss amounts to KZT 17,338 million. The Bank has developed a price distribution model for the acquisition of a subsidiary, based on which it determined the estimated net profit. If this purchase had occurred on 1 January 2017, the Group would have recorded a net loss of KZT 257,914 million for the nine months ended 30 September 2017 (due to the loss of KZT 375,897 recorded by KKB from 1 January 2017 to the reporting date). The Group's management believes that these calculated figures reflect an approximate estimate of the combined group performance for 2017 and can be used as reference values for comparison with future years.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2017 (unaudited)	31 December 2016
Cash on hand	256,851	149,124
Recorded as loans and receivables in accordance with IAS 39:		
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	175,562	181,144
Short-term deposits with OECD based banks	307,738	428,526
Overnight deposits with OECD based banks	81,886	79,992
Overnight deposits with non-OECD based banks	625	-
Correspondent accounts with NBRK	603,356	915,675
Short-term deposits with NBRK	20,000	4,002
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	133,022	2,592
Correspondent accounts with non-OECD based banks	29,344	11,459
Short-term deposits with non-OECD based banks	8,027	2,005
	1,616,411	1,774,519

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

	30 September 2017 (unaudited)		31 December 2016	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.6%-1.4%	-	0.7%-1.5%
Overnight deposits with OECD based banks	-	1.1%-1.2%	-	0.5%-0.7%
Overnight deposits with non-OECD based banks	-	7.0%	-	-
Short-term deposits with NBRK	9.3%	-	11.0%	-
Short-term deposits with Kazakhstan banks	8.5%-12.5%	-	12.5%	-
Short-term deposits with non-OECD based banks	-	1.4%-13.7%	-	6.6%-7.0%

(millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017 (unaudited)		31 December 2016	
	Carrying amount of deposits	Fair value of collateral	Carrying amount of deposits	Fair value of collateral
Notes of NBRK	21,872	22,549	-	-
Treasury bills of the Ministry of Finance of Kazakhstan	102,649	108,827	1,591	1,519
Equity securities	5,580	9,061	-	-
	130,101	140,437	1,591	1,519

As at 30 September 2017 and 31 December 2016, maturities of loans under reverse repurchase agreements were less than one month.

7. Obligatory reserves

Obligatory reserves comprise:

	30 September 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Cash and due from banks allocated to obligatory reserves	110,521	76,122
	110,521	76,122

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of the Republic of Kazakhstan, Kyrgyzstan, Georgia and Tajikistan and the Central Bank of Russian Federation. As at 30 September 2017, obligatory reserves of the Bank's subsidiaries – KKB, OJSC Halyk Bank Kyrgyzstan, OJSC NBK-Bank and JSC Halyk Bank Georgia comprised KZT 50,069 million (31 December 2016 – KZT 12,767 million).

8. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	30 September 2017 (unaudited)	31 December 2016
Financial assets held for trading:		
Derivative financial instruments	144,405	77,776
Treasury bills of the Ministry of Finance of Kazakhstan	43,808	-
Notes of NBRK	42,786	249,574
Equity securities of Kazakhstan corporations	31,459	88
Corporate bonds	15,714	743
Bonds of JSC Development Bank of Kazakhstan	5,664	215
Equity securities of the Kazakhstan banks	4,726	-
Bonds of foreign organizations	4,563	102
Bonds of Kazakhstan banks	3,291	137
Equity securities of foreign organizations	705	102
	297,121	328,737

Financial liabilities at fair value through profit or loss comprise:

	30 September 2017 (unaudited)	31 December 2016
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	5,575	2,841

(millions of Kazakhstani Tenge)

Interest rates, yield to maturity on financial assets at fair value through profit or loss are as follows:

	30 September 2017 (unaudited) Interest rate, %	31 December 2016 Interest rate, %
Treasury bills of the Ministry of Finance of Kazakhstan	5.6%	-
Notes of NBRK	11.5%	13.2%
Corporate bonds	7.7%	6.6%
Bonds of JSC Development Bank of Kazakhstan	6.7%	5.9%
Bonds of foreign organizations	7.4%	6.9%
Bonds of Kazakhstan banks	10.6%	9.7%

Derivative financial instruments comprise:

	30 September 2017 (unaudited)			31 December 2016		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts:						
Swaps	1,370,279	144,387	5,568	228,905	77,655	2,833
Forwards	2,315	3	-	4,644	107	-
Spots	12,105	15	7	3,583	14	8
		144,405	5,575		77,776	2,841

As at 30 September 2017, swaps contracts included a one-year cross-currency swap deal concluded between KKB and NBRK on 3 July 2017 for the notional amount of KZT 1,000,000 million. The purpose of the deal is the placement of excess foreign currency liquidity.

As at 30 September 2017 and 31 December 2016, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable and unobservable market data.

9. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Term deposits	49,088	18,678
Deposit pledged as collateral for derivative financial instruments	15,954	5,608
Loans to credit institutions	12,014	11,256
	77,056	35,542
Less – Allowance for impairment (Note 18)	-	-
	77,056	35,542

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

	30 September 2017 (unaudited)		31 December 2016	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Term deposits	0.5%-18.0%	2017-2018	0.5%-18.0%	2017-2018
Deposit pledged as collateral for derivative financial instruments	0.6%-1.8%	2018	0.2%-1.8%	2018
Loans to credit institutions	8.2%-10.3%	2017	8.2%-10.3%	2017

(millions of Kazakhstani Tenge)

10. Available-for-sale investment securities

Available-for-sale investment securities comprise:

	30 September 2017 (unaudited)	31 December 2016
Treasury bills of the Ministry of Finance of Kazakhstan*	1,215,202	138,018
Notes of NBRK	672,384	199,390
Corporate bonds	279,071	103,464
Treasury bills of the USA	187,418	91,534
Bonds of JSC Development Bank of Kazakhstan	65,107	37,640
Bonds of Kazakhstan banks	24,808	10,223
Bonds of foreign organizations	12,595	3,138
Treasury bills of Hungary	8,344	7,762
Equity securities of Kazakhstan corporations	3,881	4,719
Treasury bills of Georgia	2,281	2,116
Equity securities of foreign corporations	2,152	95
Treasury bills of the Kyrgyz Republic	1,412	705
Treasury bills of the Russian Federation	930	820
Notes of the National Bank of Kyrgyz Republic	546	-
Equity securities of Kazakhstan banks	45	-
	2,476,176	599,624

*Including Treasury bills of the Ministry of Finance of Kazakhstan for KZT 1,034,991 million as at 30 September 2017 acquired by KKB on special terms. Special terms include the following: securities are restricted in use and the subsidiary does not have the right to sell the securities within two years without the consent of NBRK, the Ministry of Finance of Kazakhstan and Parent company. However, these securities can be used in repo transactions for liquidity management purposes.

As at 30 September 2017 and 31 December 2016, available-for-sale investment securities include Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 628 million and KZT 15,201 million, respectively, which were pledged under repurchase agreements with other banks (see Note 16). All settlements under repurchase agreements, which were in effect as at 30 September 2017 and 31 December 2016 were made on 6 October 2017 and 4 January 2017, respectively.

Interest rates, yield to maturity 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 September 2017 (unaudited)		31 December 2016	
	Interest rate	Maturity, year	Interest Rate	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	6.6%	2017-2044	5.7%	2017-2031
Notes of NBRK	10.2%	2017-2018	13.4%	2017
Corporate bonds	6.7%	2017-2047	5.8%	2017-2031
Treasury bills of the USA	0.7%	2017-2018	0.4%	2017
Bonds of JSC Development Bank of Kazakhstan	5.5%	2020-2032	4.5%	2022-2026
Bonds of Kazakhstan banks	11.7%	2017-2049	11.2%	2017-2049
Bonds of foreign organizations	9.1%	2017-2046	6.3%	2017-2024
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Treasury bills of Georgia	10.7%	2019-2025	10.4%	2017-2024
Treasury bills of the Kyrgyz Republic	6.4%	2018-2021	10.2%	2017
Treasury bills of the Russian Federation	8.1%	2021	8.1%	2021
Notes of the National Bank of Kyrgyz Republic	2.5%	2017	-	-

(millions of Kazakhstani Tenge)

11. Loans to customers

Loans to customers comprise:

	30 September 2017 (unaudited)	31 December 2016
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans to customers	3,391,950	2,602,381
Overdrafts	21,230	1,954
	3,413,180	**2,604,335**
Less – Allowance for loan impairment losses (Note 18)	(290,110)	(284,752)
Loans to customers	**3,123,070**	**2,319,583**

As at 30 September 2017, loans to customers before allowance for impairment losses include KKB loans of KZT 1,733,406 million. These loans are presented in the table above net of allowance for impairment losses of KZT 952,540 million.

Weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 30 September 2017, average interest rate on loans was 12.6% (for the year ended 31 December 2016 –13.0%).

As at 30 September 2017, the Group's loan concentration to the ten largest borrowers was KZT 571,382 million, which comprised 17% of the Group's total gross loan portfolio (as at 31 December 2016 – KZT 494,953 million; 19%) and 69% of the Group's total equity (as at 31 December 2016 – 74%).

As at 30 September 2017, the allowance for loan impairment losses created against these loans was KZT 55,773 million (as at 31 December 2016 – KZT 49,762 million).

As at 30 September 2017 and 31 December 2016, loans were extended to customers operating in the following sectors:

	30 September 2017 (unaudited)	%	31 December 2016	%
Retail loans:				
- consumer loans	680,180	20%	433,291	17%
- mortgage loans	283,029	8%	187,772	7%
	963,209		621,063	
Services	491,835	14%	413,150	16%
Wholesale trade	341,887	10%	383,261	15%
Construction	307,344	9%	191,171	7%
Real estate	223,283	7%	150,662	6%
Retail trade	172,837	5%	157,146	6%
Transportation	158,174	5%	101,965	4%
Agriculture	154,070	5%	121,368	5%
Energy	93,841	3%	69,690	3%
Food industry	76,650	2%	34,797	1%
Mining	70,263	2%	78,528	3%
Hotel industry	62,556	2%	34,706	1%
Communication	54,167	2%	61,461	2%
Oil and gas	47,232	1%	33,815	1%
Metallurgy	47,122	1%	23,290	1%
Machinery	39,329	1%	22,559	1%
Chemical industry	31,050	1%	28,051	1%
Financial services	30,227	1%	44,645	2%
Light industry	14,427	0%	8,911	0%
Other	33,677	1%	24,096	1%
	3,413,180	**100%**	**2,604,335**	**100%**

(millions of Kazakhstani Tenge)

As at 30 September 2017, accrued interest on loans comprised KZT 155,872 million (as at 31 December 2016 – KZT 142,046 million).

As at 30 September 2017 and 31 December 2016 loans to customers included loans of KZT 373,772 million and KZT 149,024 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

12. Insurance assets and liabilities

Insurance assets comprised the following:

	30 September 2017 (unaudited)	31 December 2016
Unearned reinsurance premium	22,545	15,519
Reinsurance amounts	8,575	2,294
	31,120	17,813
Premiums receivable	13,540	10,541
Insurance assets	44,660	28,354

Insurance liabilities comprised the following:

	30 September 2017 (unaudited)	31 December 2016
Reserves for insurance claims	94,722	33,731
Gross unearned insurance premium reserve	36,354	23,120
	131,076	56,851
Payables to reinsurers and agents	12,078	7,523
Insurance liabilities	143,154	64,374

13. Other assets

Other assets comprise:

	30 September 2017 (unaudited)	31 December 2016
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors on banking activities	27,955	8,397
Securities related receivables	13,596	-
Debtors on non-banking activities	11,052	1,212
Accrued commission income	4,833	1,652
Receivable from services provided	2,092	-
Others	342	12
	59,870	11,273
Less – Allowance for impairment (Note 18)	(4,490)	(4,516)
	55,380	6,757
Other non-financial assets:		
Prepayments for investment property	10,880	7,559
Advances for taxes other than income tax	5,609	1,077
Inventory	1,220	1,323
Prepayments for property and equipment	1,176	1,263
Other investments	167	168
Others	3,679	2,443
	22,731	13,833
	78,111	20,590

(millions of Kazakhstani Tenge)

14. Assets and liabilities classified as held for sale

On 7 June 2017, the Bank signed an agreement with China CITIC Bank Corporation Limited ("CITIC Bank") and China Shuangwei Investment Co., Ltd. ("Shuangwei") on the sale of 60% in share capital of JSC Altyn Bank. To implement the agreements reached, the parties, among other things, will have to obtain necessary approvals from the competent authorities of the People's Republic of China and the Republic of Kazakhstan and meet other conditions customary for such transactions.

According to the decision of the Group's management, investments in JSC Altyn Bank have been classified as an asset held for sale in accordance with IFRS 5, starting from 30 June 2017.

As at 30 September 2017, assets and liabilities classified as held for sale comprised the following:

	30 September 2017 (unaudited)
Land plots	113,206
Real estate	39,187
Assets classified as held for sale related to JSC Altyn Bank	428,815
Total assets classified as held for sale	581,208
Liabilities directly associated with assets classified as held for sale	372,899

The major classes of assets and liabilities of JSC Altyn Bank as at 30 September 2017 were as follows:

	30 September 2017 (unaudited)
Cash and cash equivalents	179,713
Financial assets at fair value through profit or loss	20
Available-for-sale investment securities	141,262
Loans to customers	97,208
Property, equipment and intangible assets	5,288
Goodwill	1,869
Other assets	3,455
Assets of JSC Altyn Bank classified as held for sale	428,815
Amounts due to customers	353,312
Amounts due to credit institutions	16,624
Other liabilities	2,963
Liabilities of JSC Altyn Bank directly associated with assets classified as held for sale	372,899
Net assets of JSC Altyn Bank classified as held for sale	55,916

(millions of Kazakhstani Tenge)

The combined results of the discontinued operations of JSC Altyn Bank included in the interim consolidated statement of profit or loss are set out below:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Interest income	6,987	6,770	19,120	16,431
Interest expense	(3,860)	(2,909)	(9,435)	(7,841)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	3,127	3,861	9,685	8,590
(Impairment charge)/recovery of provisions	(45)	(198)	346	(345)
NET INTEREST INCOME	3,082	3,663	10,031	8,245
Fee and commission income	461	429	1,256	1,178
Fee and commission expense	(201)	(215)	(735)	(596)
Fees and commissions, net	260	214	521	582
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	884	(1,232)	1,080	(629)
Net realized (loss)/gain from available-for-sale investment securities	(8)	26	-	26
Net foreign exchange (loss)/gain	(257)	1,158	770	3,475
Other income	-	(10)	33	2
OTHER NON-INTEREST INCOME	619	(58)	1,883	2,874
Operating expenses	(1,533)	(1,669)	(4,587)	(4,834)
(Other provisions)/recovery of other provisions	(58)	10	(33)	27
NON-INTEREST EXPENSES	(1,591)	(1,659)	(4,620)	(4,807)
INCOME BEFORE INCOME TAX EXPENSE	2,370	2,160	7,815	6,894
Income tax expense	220	27	(73)	(858)
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	2,590	2,187	7,742	6,036

	30 September 2017 (unaudited)	30 September 2016 (unaudited)
CASH FLOWS FROM DISCONTINUED OPERATIONS:		
Net cash inflow from operating activities	71,651	17,546
Net cash outflow from investing activities	(93,460)	(78,683)
Net cash flow from financing activities	-	-
Net cash outflow	(21,809)	(61,137)

15. Amounts due to customers

Amounts due to customers include the following:

	30 September 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Term deposits:		
Individuals	2,772,441	1,470,536
Legal entities	1,578,268	1,267,589
	4,350,709	2,738,125
Current accounts:		
Legal entities	1,338,520	837,625
Individuals	387,052	244,912
	1,725,572	1,082,537
	6,076,281	3,820,662

(millions of Kazakhstani Tenge)

As at 30 September 2017, the ten largest groups of related customers accounted for approximately 30% of the total amounts due to customers (31 December 2016 – 32%), where each group of related customers represents customers related to each other within that group.

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

Customer accounts by sectors were as follows:

	30 September 2017 (unaudited)	Share	31 December 2016	Share
Individuals and entrepreneurs	3,159,493	52%	1,715,448	45%
Oil and gas	679,431	11%	743,744	19%
Government	581,170	10%	86,162	2%
Other consumer services	318,068	5%	171,245	5%
Wholesale trade	193,699	3%	166,918	4%
Transportation	150,249	3%	185,039	5%
Construction	148,269	2%	81,113	2%
Metallurgy	118,551	2%	77,103	2%
Insurance and pension funds activity	102,860	2%	13,281	0%
Education	101,178	2%	35,723	1%
Healthcare and social services	86,803	1%	61,184	2%
Communication	84,727	1%	52,550	1%
Financial sector	60,783	1%	215,936	6%
Energy	47,628	1%	33,729	1%
Other	243,372	4%	181,487	5%
	6,076,281	100%	3,820,662	100%

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Loans from JSC Entrepreneurship Development Fund DAMU	78,080	36,552
Correspondent accounts	24,025	27,882
Loans from JSC Development Bank of Kazakhstan	21,367	21,372
Loans and deposits from Kazakhstan banks (incl. overnight deposits)	21,039	21,924
Loans from JSC National Managing Holding KazAgro	4,109	38,534
Loans and deposits from non-OECD based banks	3,444	7,109
Loans from other financial institutions	2,402	2,903
Loans and deposits from OECD based banks	426	5,858
	154,892	162,134

As at 30 September 2017, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 77,431 million (31 December 2016 – KZT 36,367 million) at 1.0%-4.5% interest rate maturing in 2034-2035 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.

(millions of Kazakhstani Tenge)

As at 30 September 2017, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 16,000 million (31 December 2016 – KZT 16,000 million) at 2.0% interest rate maturing in 2034-2035 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 5,300 million (31 December 2016 – KZT 5,300 million) at 1% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

As at 30 September 2017, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 4,104 million (31 December 2016 - KZT 38,483 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.

On 3 July 2017, the Group made an early repayment of its indebtedness to KazAgro for KZT 31,873 million due to exclusion of several loans from KazAgro financing programme.

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 retail, 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 as follows:

	30 September 2017 (unaudited)		31 December 2016	
	Interest Rate	Maturity, year	Interest Rate	Maturity, year
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2018-2035	2.0%	2017-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2034-2035	1.0%-2.0%	2034-2035
Loans and deposits from Kazakhstan banks (incl. overnight deposits)	2.0%-11.0%	2017-2035	8.8%-11.1%	2017
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2019-2022
Loans and deposits from non-OECD based banks	1.0%-20.0%	2017-2022	1.0%-10.0%	2017-2021
Loans from other financial institutions	10.0%	2023	5.0%-10.0%	2017-2023
Loans and deposits from OECD based banks	3.0%	2018	2.6%-6.5%	2017-2023

Fair value of assets pledged (Note 10) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017 (unaudited)		31 December 2016	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	628	610	15,201	15,009
	628	610	15,201	15,009

(millions of Kazakhstani Tenge)

Details of transferred financial assets that are not derecognized in their entirety as at 30 September 2017 and 31 December 2016 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 of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Available-for-sale investment securities (Note 10)
As at 30 September 2017 (unaudited):	
Carrying amount of transferred assets	628
Carrying amount of associated liabilities	610
As at 31 December 2016:	
Carrying amount of transferred assets	15,201
Carrying amount of associated liabilities	15,009

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

The Group's management believes that as at 30 September 2017 and 31 December 2016, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

17. Debt securities issued

Debt securities issued consisted of the following:

	30 September 2017 (unaudited)	31 December 2016
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	84,163	-
USD denominated bonds, floating rate	19,533	-
KZT denominated bonds, indexed to inflation	13,446	-
Total subordinated debt securities outstanding	117,142	-
Unsubordinated debt securities issued:		
USD denominated bonds	481,875	359,355
KZT denominated bonds	389,402	225,578
RUB denominated bonds	355	-
Total unsubordinated debt securities outstanding	871,632	584,933
Total debt securities issued	988,774	584,933

On 3 May 2017, the Group repaid in full at maturity its 10-year 7.25% coupon rate USD 638,029,000 Eurobond issue.

(millions of Kazakhstani Tenge)

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

	30 September 2017 (unaudited) Coupon rate	Maturity, year	31 December 2016 Coupon rate	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	-	-
USD denominated bonds, floating rate	LIBOR+6.19%	2049	-	-
KZT denominated bonds, indexed to inflation	1%+Inflation rate	2018-2019	-	-
Unsubordinated debt securities issued:				
USD denominated bonds	5.5%-8.5%	2018-2022	7.3%	2017-2021
KZT denominated bonds	7.5%-8.8%	2019-2025	7.5%	2024-2025
RUB denominated bonds	5.5%-12.0%	2019	-	-

As at 30 September 2017, accrued interest on debt securities issued was KZT 23,285 million (as at 31 December 2016 – KZT 11,894 million).

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group’s ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group’s other financing arrangements. The Group’s management believes that as at 30 September 2017 and 31 December 2016 the Group was in compliance with the covenants of the agreements that the Group has with the notes’ trustees and holders.

18. Allowances for impairment losses and provisions

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

	Loans to customers (Note 11)	Amounts due from credit institutions (Note 9)	Available-for-sale investment securities	Other assets (Note 13)	Total
30 June 2017 (unaudited)	(282,693)	-	(3,320)	(4,280)	(290,293)
Additional provisions recognized	(90,598)	(166)	(274)	(3,064)	(94,102)
Recovery of provision	77,630	97	257	2,796	80,780
Write-offs	9,026	69	23	474	9,592
Foreign exchange differences	(3,475)	-	(99)	(416)	(3,990)
30 September 2017 (unaudited)	(290,110)	-	(3,413)	(4,490)	(298,013)
30 June 2016 (unaudited)	(300,517)	-	(4,967)	(4,608)	(310,092)
Additional provisions recognized	(41,812)	(9)	(38)	(1,612)	(43,471)
Recovery of provision	33,356	-	567	1,234	35,157
Write-offs	5,715	-	82	103	5,900
Foreign exchange differences	820	-	(13)	63	870
30 September 2016 (unaudited)	(302,438)	(9)	(4,369)	(4,820)	(311,636)
31 December 2016	(284,752)	-	(3,884)	(4,516)	(293,152)
Additional provisions recognized	(176,627)	(166)	(424)	(5,134)	(182,351)
Recovery of provision	152,236	97	975	4,890	158,198
Write-offs	17,192	69	23	648	17,932
Disposal of a subsidiary	2,603	-	-	7	2,610
Foreign exchange differences	(762)	-	(103)	(385)	(1,250)
30 September 2017 (unaudited)	(290,110)	-	(3,413)	(4,490)	(298,013)
31 December 2015	(305,114)	(7)	(5,516)	(4,568)	(315,205)
Additional provisions recognized	(106,519)	(9)	(693)	(4,656)	(111,877)
Recovery of provision	87,841	7	904	4,113	92,865
Write-offs	20,300	-	948	151	21,399
Foreign exchange differences	1,054	-	(12)	140	1,182
30 September 2016 (unaudited)	(302,438)	(9)	(4,369)	(4,820)	(311,636)

(millions of Kazakhstani Tenge)

During the nine months ended 30 September 2017 and 2016, the Group has written off loans of KZT 17,192 million and KZT 20,300 million, respectively, without being considered forgiveness of the loan, therefore for tax purposes such write-offs are 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 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
At the beginning of the period	(182)	(956)	(987)	(982)
Additional provisions recognized	(2,051)	(239)	(2,504)	(504)
Recovery of provisions	2,202	248	2,966	553
Write-offs	20	-	20	-
Acquisition of a subsidiary*	(17,336)	-	(17,336)	-
Disposal of a subsidiary	-	-	501	-
Foreign exchange differences	(102)	5	(109)	(9)
At the end of the period	(17,449)	(942)	(17,449)	(942)

* Provision created by KKB against guarantees prior to the acquisition date, 5 July 2017.

19. Taxation

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

The income tax expense comprises:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Current tax charge	4,655	6,307	16,724	18,667
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	2,869	(912)	707	(2,210)
Income tax expense	7,524	5,395	17,431	16,457

(millions of Kazakhstani Tenge)

Deferred tax assets and liabilities comprise:

	30 September 2017 (unaudited)	31 December 2016
Tax effect of deductible temporary differences:		
Tax loss carry forward	45,688	408
Fair value of derivatives	3,698	1,737
Bonuses accrued	3,371	1,821
Vacation pay accrual	485	361
Other	138	19
Deferred tax asset	53,380	4,346
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(43,830)	-
Fair value of derivatives and available-for-sale investment securities	(14,876)	(13,929)
Property and equipment, accrued depreciation	(12,682)	(8,400)
Allowance for loans to customers	(3,924)	(3,895)
Core deposit intangible	-	(259)
Other	(265)	(213)
Deferred tax liability	(75,577)	(26,696)
Net deferred tax liability	(22,197)	(22,350)

Current income tax assets/(liabilities) comprise:

	30 September 2017 (unaudited)	31 December 2016
Current income tax assets	27,207	3,222
Current income tax liabilities	(1,059)	(3,311)
Current income tax asset/(liability)	26,148	(89)

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

	30 September 2017 (unaudited)	31 December 2016
Deferred tax asset	367	831
Deferred tax liability	(22,564)	(23,181)
Net deferred tax liability	(22,197)	(22,350)

Management believes that the Group is in compliance with the tax laws applicable to its operations; however, there is a risk that relevant authorities could take differing positions interpreting those laws.

(millions of Kazakhstani Tenge)

20. Other liabilities

Other liabilities comprise:

	30 September 2017 (unaudited)	31 December 2016
Other financial liabilities:		
Salary payable	18,608	11,205
Liabilities on preferred shares	12,457	-
Creditors on bank activities	7,582	800
Payable for general and administrative expenses	3,234	612
Creditors on non-banking activities	2,931	782
Others	5,004	583
	49,816	13,982
Other non-financial liabilities:		
Amounts due to original investors on commercial property	9,600	2,271
Taxes payable other than income tax	3,643	2,832
Advances received	2,195	1,382
	15,438	6,485
Total other liabilities	65,254	20,467

21. Equity

Authorized, issued and fully paid number of shares as at 30 September 2017 and 2016 were as follows:

30 September 2017 (unaudited)	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000	(12,311,142,941)	12,688,857,059	(1,694,181,631)	10,994,675,428

31 December 2016	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common shares	25,000,000,000	(12,311,142,941)	12,688,857,059	(1,695,237,728)	10,993,619,331

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

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2016	10,993,619,331	-	-	40,574	-	-
Purchases of treasury shares	(3,625,505)	-	-	(3,529)	-	-
Sale of treasury shares	4,681,602	-	-	474	-	-
30 September 2017 (unaudited)	10,994,675,428	-	-	37,519	-	-
31 December 2015	10,909,450,551	20,443,932	369,555	43,597	(5,154)	2,077
Purchases of treasury shares	(9,979,376)	-	-	(390)	-	-
Sale of treasury shares	9,609,241	-	-	444	-	-
Exchange of preferred shares to common shares	84,553,792	(20,443,932)	(369,555)	(3,077)	5,154	(2,077)
30 September 2016 (unaudited)	10,993,634,208	-	-	40,574	-	-

(millions of Kazakhstani Tenge)

Common shares

As at 30 September 2017 and 31 December 2016, share capital comprised KZT 143,695 million. At 30 September 2017, the Group held its own 1,694,181,631 common shares for KZT 106,176 million as treasury shares (31 December 2016 – 1,695,237,728 shares for KZT 103,121 million).

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

22. Commitments and contingencies

Financial commitments and contingencies

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

	30 September 2017 (unaudited)	31 December 2016
Guarantees issued	298,289	173,226
Commercial letters of credit	113,963	27,026
Commitments to extend credit	45,704	15,445
Financial commitments and contingencies	457,956	215,697
Less: cash collateral against letters of credit	(67,212)	(10,034)
Less: provisions (Note 18)	(17,449)	(987)
Financial commitments and contingencies, net	373,295	204,676

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 30 September 2017, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 50% of the Group's total financial guarantees (as at 31 December 2016 – 70%) and represented 18% of the Group's total equity (as at 31 December 2016 – 18%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients and under which as at the reporting date, the payment has not yet been made. As at 30 September 2017, unsecured letters of credit accounted for 29% of the Group's total commercial letters of credit (31 December 2016 – 61%) and represented 4% of the Group's total equity (31 December 2016 – 2%).

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

Capital commitments

As at 30 September 2017 and 31 December 2016, the Group's capital expenditure commitments for construction in progress were KZT 1,424 million and KZT 157 million, respectively.

Operating lease commitments

There were no material operating lease commitments under operating leases outstanding as at 30 September 2017 and 31 December 2016.

(millions of Kazakhstani Tenge)

23. Net interest income

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Interest income comprises:				
Interest income on financial assets recorded at amortized cost:				
- interest income on individually assessed unimpaired assets	38,612	32,704	118,425	104,699
- interest income on collectively assessed assets	46,146	31,411	99,137	82,464
- interest income on individually assessed impaired assets	17,989	6,702	32,499	22,222
Interest income on available-for-sale investment securities	49,371	8,805	82,121	17,055
Interest income on financial assets at fair value through profit or loss	2,229	6,553	6,870	17,606
Total interest income	154,347	86,175	339,052	244,046
Interest income on financial assets recorded at amortized cost:				
Interest income on loans to customers	95,210	68,581	235,402	199,581
Interest income on amounts due from credit institutions and cash and cash equivalents	7,537	2,236	14,659	9,804
Total interest income on financial assets recorded at amortized cost	102,747	70,817	250,061	209,385
Interest income on financial assets at fair value through profit or loss:				
Interest income on financial assets held-for-trading	2,229	6,553	6,870	17,606
Total interest income on financial assets at fair value through profit or loss	2,229	6,553	6,870	17,606
Interest income on available-for-sale investment securities	49,371	8,805	82,121	17,055
Total interest income	154,347	86,175	339,052	244,046
Interest expense comprises:				
Interest expense on financial liabilities recorded at amortized cost	(86,314)	(40,092)	(172,236)	(118,844)
Total interest expense	(86,314)	(40,092)	(172,236)	(118,844)
Interest expense on financial liabilities recorded at amortized cost:				
Interest expense on amounts due to customers	(63,999)	(27,699)	(128,310)	(79,402)
Interest expense on debt securities issued	(20,839)	(11,458)	(40,407)	(34,579)
Interest expense on amounts due to credit institutions	(1,476)	(935)	(3,519)	(4,863)
Total interest expense on financial liabilities recorded at amortized cost	(86,314)	(40,092)	(172,236)	(118,844)
Net interest income before impairment charge	68,033	46,083	166,816	125,202

(millions of Kazakhstani Tenge)

24. Fees and commissions

Fees and commissions derived from the following sources:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Payment cards maintenance	8,480	2,848	14,353	8,178
Cash operations	6,400	2,672	11,567	7,298
Bank transfers - settlements	5,912	3,795	13,616	10,671
Customers' pension payments service	2,051	1,744	5,679	5,159
Bank transfers - salary projects	1,814	1,574	5,269	5,109
Letters of credit and guarantees issued	1,794	990	3,621	2,875
Customer accounts maintenance	1,126	500	2,330	1,371
Other	1,316	577	2,445	1,631
	28,893	14,700	58,880	42,292

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

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

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Unrealized net gain/(loss) on trading and derivative operations	61,036	(4,397)	53,794	(7,266)
Realized net gain on trading operations	2,726	91	2,737	221
Realized net gain/(loss) on derivative operations	3,256	109	3,006	(2,334)
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	67,018	(4,197)	59,537	(9,379)

26. Net foreign exchange (loss)/gain

Net foreign exchange (loss)/gain comprises:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Dealing, net	10,909	3,388	17,865	8,584
Translation differences, net	(72,608)	2,786	(66,030)	3,147
Net foreign exchange (loss)/gain	(61,699)	6,174	(48,165)	11,731

(millions of Kazakhstani Tenge)

27. Insurance underwriting income

Insurance underwriting income/(expense) comprised:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Insurance premiums written, gross	21,763	15,120	55,546	44,632
Ceded reinsurance share	(6,820)	(7,373)	(19,813)	(21,930)
Change in unearned insurance premiums, net	1,200	(140)	695	(2,760)
Insurance underwriting income	16,143	7,607	36,428	19,942
Insurance payments	(5,174)	(2,408)	(11,923)	(7,780)
Commissions to agents	(5,573)	(1,780)	(12,473)	(4,884)
Insurance reserves expenses	(3,038)	(2,660)	(8,472)	(5,379)
Insurance claims incurred, net of reinsurance	(13,785)	(6,848)	(32,868)	(18,043)
Net insurance income	2,358	759	3,560	1,899

28. Operating expenses

Operating expenses comprised:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Salaries and other employee benefits*	10,580	9,413	31,724	27,644
Depreciation and amortization expenses	2,637	1,522	6,084	4,279
Taxes other than income tax	2,180	846	4,252	2,466
Rent	1,244	436	2,094	1,276
Security	1,146	504	2,468	1,468
Professional services	1,088	100	3,820	307
Repairs and maintenance	1,080	400	1,956	1,333
Information services	955	685	2,167	1,631
Utilities expenses	930	381	1,909	1,159
Communication	911	397	1,813	1,166
Expenses from sale of property and equipment and intangible assets	1,504	222	1,504	222
Insurance agent fees	604	157	941	435
Advertisement	441	157	729	429
Stationery and office supplies	421	233	851	600
Charity	354	108	428	277
Business trip expenses	304	155	660	411
Transportation	203	123	461	369
Hospitality expenses	38	30	55	55
Social events	8	2	25	7
Other	1,242	175	2,173	1,531
	27,870	16,046	66,114	47,065

* For the three months ended 30 September 2017, KKB reversed accrued bonuses to employees for KZT 7,654 million.

(millions of Kazakhstani Tenge)

29. Earnings per share

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

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

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2017 (unaudited)	Three months ended 30 September 2016 (unaudited)	Nine months ended 30 September 2017 (unaudited)	Nine months ended 30 September 2016 (unaudited)
Basic earnings per share				
Net income for the period attributable to equity holders of the parent	56,439	36,864	135,321	94,001
Less: Dividends paid on preference shares	-	-	-	(333)
Earnings attributable to common shareholders	56,439	36,864	135,321	93,668
Earnings for the period from continuing operations	53,849	34,677	127,579	87,965
Earnings for the period from discontinued operations	2,590	2,187	7,742	6,036
Weighted average number of common shares for the purposes of basic earnings per share	10,994,884,343	10,992,463,961	10,994,655,783	10,482,018,323
Basic earnings per share (in Tenge)	5.13	3.35	12.31	8.94
Basic earnings per share from continuing operations (in Tenge)	4.90	3.15	11.60	8.36
Basic earnings per share from discontinued operations (in Tenge)	0.24	0.20	0.70	0.58
Diluted earnings per share				
Earnings used in the calculation of basic earnings per share	56,439	36,864	135,321	93,668
Add: Dividends paid on convertible preferred shares	-	-	-	9
Less: Amounts payable to convertible preferred shareholders upon conversion	-	(96)	-	(96)
Earnings used in the calculation of total diluted earnings per share	56,439	36,768	135,321	93,581
Earnings for the period from continuing operations	53,849	34,677	127,579	87,965
Earnings for the period from discontinued operations	2,590	2,187	7,742	6,036
Weighted average number of common shares for the purposes of basic earnings per share	10,994,884,343	10,992,463,961	10,994,655,783	10,482,018,323
Weighted average number of common shares that would be issued for the convertible preferred shares	-	-	-	324,637
Weighted average number of common shares for the purposes of diluted earnings per share	10,994,884,343	10,992,463,961	10,994,655,783	10,482,342,960
Diluted earnings per share (in Tenge)	5.13	3.35	12.31	8.94
Diluted earnings per share from continuing operations (in Tenge)	4.90	3.15	11.60	8.39
Diluted earnings per share from discontinued operations (in Tenge)	0.24	0.20	0.70	0.58

(millions of Kazakhstani Tenge)

As required by KASE Listing Rules the book value of one share per each class of shares as at 30 September 2017 and 31 December 2016, is disclosed as follows:

		30 September 2017 (unaudited)	
Class of shares	Outstanding shares	Equity (calculated as per KASE rules)	Book value of one share, in KZT
Common	10,994,675,428	817,028	74.31
		817,028	

		31 December 2016	
Class of shares	Outstanding shares	Equity (calculated as per KASE rules)	Book value of one share, in KZT
Common	10,993,619,331	656,414	59.71
		656,414	

Equity attributable to common shares is calculated as the difference between the total equity, total net book value of intangible assets, and amounts attributable to preferred shares.

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

30. 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.

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.

(millions of Kazakhstani Tenge)

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	30 September 2017 (unaudited) Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,615,953	458	-	-	-	1,616,411
Obligatory reserves	65,760	8,688	26,194	4,098	5,781	110,521
Financial assets at fair value through profit or loss	152,978	80,730	60,928	2,485	-	297,121
Amounts due from credit institutions	28,496	5,652	27,108	7,414	8,386	77,056
Available-for-sale investment securities	617,475	175,445	135,581	575,994	971,681	2,476,176
Loans to customers	127,510	259,908	1,581,930	700,538	453,184	3,123,070
Other financial assets	19,333	9,474	7,770	11,756	7,047	55,380
	2,627,505	540,355	1,839,511	1,302,285	1,446,079	7,755,735
FINANCIAL LIABILITIES:						
Amounts due to customers	2,539,944	440,011	1,277,252	1,274,630	544,444	6,076,281
Amounts due to credit institutions	53,394	313	2,162	12,270	86,753	154,892
Financial liabilities at fair value through profit or loss	32	35	242	5,266	-	5,575
Debt securities issued	9,498	11,225	114,614	330,881	522,556	988,774
Other financial liabilities	14,660	7,728	6,714	20,408	306	49,816
	2,617,528	459,312	1,400,984	1,643,455	1,154,059	7,275,338
Net position	9,977	81,043	438,527	(341,170)	292,020	
Accumulated gap	9,977	91,020	529,547	188,377	480,397	

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	31 December 2016 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,774,519	-	-	-	-	1,774,519
Obligatory reserves	49,593	3,972	18,368	3,650	539	76,122
Financial assets at fair value through profit or loss	251,544	-	77,193	-	-	328,737
Amounts due from credit institutions	9,685	11,281	10,930	2,183	1,463	35,542
Available-for-sale investment securities	13,290	79,328	269,298	78,463	159,245	599,624
Loans to customers	146,771	236,233	1,526,644	286,133	123,802	2,319,583
Other financial assets	3,782	2,554	364	5	52	6,757
	2,249,184	333,368	1,902,797	370,434	285,101	5,140,884
FINANCIAL LIABILITIES:						
Amounts due to customers	2,046,317	226,071	784,955	694,228	69,091	3,820,662
Amounts due to credit institutions	52,961	1,532	7,028	30,333	70,280	162,134
Financial liabilities at fair value through profit or loss	73	99	-	2,669	-	2,841
Debt securities issued	4,915	3,812	197,516	157,792	220,898	584,933
Other financial liabilities	11,527	354	1,887	189	25	13,982
	2,115,793	231,868	991,386	885,211	360,294	4,584,552
Net position	133,391	101,500	911,411	(514,777)	(75,193)	
Accumulated gap	133,391	234,891	1,146,302	631,525	556,332	

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

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

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

Currency Risk

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

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

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

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

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

(millions of Kazakhstani Tenge)

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

	30 September 2017 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,162,401	86,730	33,357	70,765	1,353,253	263,158	1,616,411
Obligatory reserves	59,155	1,810	4,261	1,912	67,138	43,383	110,521
Financial assets at fair value through profit or loss	34,717	-	2,684	65	37,466	259,655	297,121
Amounts due from credit institutions	17,141	795	7,997	-	25,933	51,123	77,056
Available-for-sale investment securities	329,248	4,163	7,205	7,635	348,251	2,127,925	2,476,176
Loans to customers	823,275	20,823	28,048	12,977	885,123	2,237,947	3,123,070
Other financial assets	2,821	813	1,438	82	5,154	50,226	55,380
	2,428,758	115,134	84,990	93,436	2,722,318	5,033,417	7,755,735
FINANCIAL LIABILITIES							
Amounts due to customers	3,145,352	122,558	59,678	40,127	3,367,715	2,708,566	6,076,281
Amounts due to credit institutions	20,154	964	4,237	2,688	28,043	126,849	154,892
Financial liabilities at fair value through profit or loss	4	-	926	-	930	4,645	5,575
Debt securities issued	488,574	-	355	-	488,929	499,845	988,774
Other financial liabilities	16,158	317	662	655	17,792	32,024	49,816
	3,670,242	123,839	65,858	43,470	3,903,409	3,371,929	7,275,338
Net position – on balance	(1,241,484)	(8,705)	19,132	49,966	(1,181,091)	1,661,488	480,397
Net position – off-balance	1,277,818	4,923	(17,823)	(44,533)	1,220,385	(1,073,785)	
Net position	36,334	(3,782)	1,309	5,433	39,294	587,703	

(millions of Kazakhstani Tenge)

31 December 2016

	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,628,322	30,673	16,915	14,921	1,690,831	83,688	1,774,519
Obligatory reserves	47,789	1,055	364	1,359	50,567	25,555	76,122
Financial assets at fair value through profit or loss	764	-	-	150	914	327,823	328,737
Amounts due from credit institutions	6,907	-	4,103	-	11,010	24,532	35,542
Available-for-sale investment securities	252,328	3,591	1,939	2,916	260,774	338,850	599,624
Loans to customers	710,067	8,793	14,921	13,261	747,042	1,572,541	2,319,583
Other financial assets	628	88	117	85	918	5,839	6,757
	2,646,805	44,200	38,359	32,692	2,762,056	2,378,828	5,140,884
FINANCIAL LIABILITIES							
Amounts due to customers	2,431,736	45,087	5,879	14,664	2,497,366	1,323,296	3,820,662
Amounts due to credit institutions	35,749	519	146	855	37,269	124,865	162,134
Financial liabilities at fair value through profit or loss	-	-	199	-	199	2,642	2,841
Debt securities issued	359,521	-	-	-	359,521	225,412	584,933
Other financial liabilities	852	108	437	318	1,715	12,267	13,982
	2,827,858	45,714	6,661	15,837	2,896,070	1,688,482	4,584,552
Net position – on balance	(181,053)	(1,514)	31,698	16,855	(134,014)	690,346	556,332
Net position – off-balance	189,207	2,170	(27,150)	(9,442)	154,785	(78,808)	
Net position	8,154	656	4,548	7,413	20,771	611,538	

31. Segment analysis

The Group is managed and reported on the basis of three main operating segments – corporate banking, SME 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 to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

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

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

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions which are not allocated to a 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 the main and non-operating activities and insurance income. Unallocated expenses include the provision on accounts receivable, operating overhead expenses, insurance expenses and income tax.

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

There were no transactions between business segments during the nine months ended 30 September 2017 and 2016.

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 30 September 2017 and 2016 and for the nine months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 30 September 2017 and for the nine months then ended (unaudited)						
External revenues	196,287	116,826	44,741	86,357	60,414	504,625
Total revenues	196,287	116,826	44,741	86,357	60,414	504,625
Total revenues comprise:						
- Interest income	89,184	132,019	28,858	88,991	-	339,052
- Fee and commission income	42,112	5,888	8,520	-	2,360	58,880
- Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	64,991	(21,194)	7,340	(3,471)	11,871	59,537
- Net realized gain from available-for-sale investment securities	-	-	-	827	-	827
- Insurance underwriting income and other income	-	-	-	-	45,867	45,867
- Recovery of provisions		113	23	10	316	462
Total revenues	196,287	116,826	44,741	86,357	60,414	504,625
- Interest expense	(78,040)	(48,611)	(5,178)	(40,407)	-	(172,236)
- Recovery of provisions/(impairment charge)	2,207	(27,380)	372	170	478	(24,153)
- Fee and commission expense	(11,646)	(847)	(227)	(30)	(3,279)	(16,029)
- Operating expenses	(40,057)	(5,312)	(9,195)	(3,425)	(8,125)	(66,114)
- Net foreign exchange (loss)/gain	(63,408)	18,240	3,349	(11,521)	5,175	(48,165)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(32,868)	(32,868)
Total expenses	(190,944)	(63,910)	(10,879)	(55,213)	(38,619)	(359,565)
Segment result	5,343	52,916	33,862	31,144	21,795	145,060
Income before income tax expense						145,060
Income tax expense					(17,431)	(17,431)
Profit from discontinued operation						7,742
Net income						135,371
Total segment assets	862,403	3,844,787	460,402	2,776,579	736,887	8,674,584
Total segment liabilities	3,220,932	2,804,901	591,461	988,773	242,037	7,847,901
Other segment items:						
Capital expenditures						(5,288)
Depreciation and amortization						(6,084)

(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 30 September 2016 and for the nine months then ended (unaudited)						
External revenues	106,685	119,952	31,420	37,507	29,283	324,847
Total revenues	106,685	119,952	31,420	37,507	29,283	324,847
Total revenues comprise:						
- Interest income	75,609	109,877	23,795	34,661	104	244,046
- Fee and commission income	31,242	4,169	4,921	-	1,960	42,292
- Net foreign exchange (loss)/gain	(166)	5,912	2,681	-	3,304	11,731
- Net realized gain from available-for-sale investment securities	-	-	-	2,846	-	2,846
- (Provisions)/recovery of provisions	-	(6)	23	-	5	22
- Insurance underwriting income and other income	-	-	-	-	23,910	23,910
Total revenues	106,685	119,952	31,420	37,507	29,283	324,847
- Interest expense	(47,528)	(33,505)	(3,232)	(34,579)	-	(118,844)
- (Impairment charge)/recovery of provision	(5,119)	(5,251)	(7,650)	-	(647)	(18,667)
- Fee and commission expense	(7,611)	(287)	(155)	-	(375)	(8,427)
- Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	(24,671)	14,670	(1,571)	-	2,194	(9,379)
- Operating expenses	(25,868)	(2,536)	(5,191)	-	(13,470)	(47,065)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(18,043)	(18,043)
Total expenses	(110,797)	(26,909)	(17,799)	(34,579)	(30,341)	(220,425)
Segment result	(4,112)	93,043	13,621	2,928	(1,058)	104,422
Income before income tax expense						104,422
Income tax expense						(16,457)
Profit from discontinued operation						6,036
Net income						94,001
As at 31 December 2016:						
Total segment assets	555,924	3,291,010	289,169	850,585	361,795	5,348,483
Total segment liabilities	1,708,200	1,982,006	289,008	584,932	118,744	4,682,890
Other segment items:						
Capital expenditures					(26,466)	(26,466)
Depreciation and amortization					6,084	6,084

Due to material changes in investment banking item the Group showed it as a separate segment. As at 30 September 2017 and 2016, investment banking was KZT 31,144 million and KZT 2,928 million, respectively.

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 30 September 2017 and 31 December 2016 and for the nine-months ended 30 September 2017 and 2016.

	Kazakhstan	OECD	Non-OECD	Total
30 September 2017 (unaudited)				
Total assets	7,645,235	794,258	235,091	8,674,584
31 December 2016				
Total assets	4,450,495	795,651	102,337	5,348,483
Nine months ended 30 September 2017 (unaudited)				
External revenues	485,913	8,612	10,100	504,625
Capital expenditure	(5,288)	-	-	(5,288)
Nine months ended 30 September 2016 (unaudited)				
External revenues	316,488	1,020	7,339	324,847
Capital expenditure	(26,466)	-	-	(26,466)

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.

32. Fair values of financial instruments

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

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

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

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

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

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

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

(millions of Kazakhstani Tenge)

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 September 2017 and 31 December 2016:

Financial Assets/Liabilities	Fair value			Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 September 2017 (unaudited)	31 December 2016	Fair value hierarchy			
Non-derivative financial assets at fair value through profit or loss (Note 8)	152,716	250,961	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 8)	657	1,093	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 8)	143,748	76,683	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the 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 nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	297,121	328,737				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 8)	5,333	2,841	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 year).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 8)	242	-	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the 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 nil at initial recognition.	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	5,575	2,841				
Non-derivative available-for-sale investment securities (Note 10)	1,436,901	597,682	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 10)	1,034,991	-	Level 2	Quoted price in market that is not active.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 10)	4,266	1,860	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 10)	18	82	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Available-for-sale investment securities	2,476,176	599,624				

(millions of Kazakhstani Tenge)

There were no transfers between Level 1 and 2 during the nine months ended 30 September 2017 and 2016.

	Financial assets at fair value through profit or loss (Level 3)	Available-for-sale investment securities Unquoted equity securities (Level 3)	Derivative financial liabilities (Level 3)
31 December 2015	173,804	98	-
(Loss)/gain to profit or loss	(23,135)	8	-
30 September 2016 (unaudited)	150,669	106	-
31 December 2016	76,683	82	-
Additions on acquisition of a subsidiary	63,414	-	242
Gain/(loss) to profit or loss	3,651	(3)	-
Redemption	-	(61)	-
30 September 2017 (unaudited)	143,748	18	242

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.

(millions of Kazakhstani Tenge)

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

	30 September 2017 (unaudited)		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	77,056	71,532	35,542	35,430
Loans to customers	3,123,070	3,048,425	2,319,583	2,178,539
Financial liabilities				
Amounts due to customers	6,076,281	6,080,303	3,820,662	3,972,622
Amounts due to credit institutions	154,892	179,562	162,134	190,971
Debt securities issued	988,774	1,017,115	584,933	586,378

	30 September 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	71,532	-	71,532
Loans to customers	-	-	3,048,425	3,048,425
Financial liabilities				
Amounts due to customers	-	6,080,303	-	6,080,303
Amounts due to credit institutions	-	179,562	-	179,562
Debt securities issued	1,017,115	-	-	1,017,115

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	35,430	-	35,430
Loans to customers	-	-	2,178,539	2,178,539
Financial liabilities				
Amounts due to customers	-	3,972,622	-	3,972,622
Amounts due to credit institutions	-	190,971	-	190,971
Debt securities issued	586,378	-	-	586,378

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

33. 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.

(millions of Kazakhstani Tenge)

As at 30 September 2017 and 31 December 2016, the Group had the following outstanding balances with related parties:

	30 September 2017 (unaudited)		31 December 2016	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for impairment losses	2,640	3,413,180	2,148	2,604,335
- entities with joint control or significant influence over the entity	2,496		2,024	
- key management personnel of the entity or its Parent	115		94	
- other related parties	29		30	
Allowance for impairment losses	(16)	(290,110)	(21)	(284,752)
- entities with joint control or significant influence over the entity	(16)		(21)	
Amounts due to customers	185,510	6,076,281	197,569	3,820,662
- the Parent	97,057		99,641	
- entities with joint control or significant influence over the entity	3,338		4,086	
- key management personnel of the entity or its parent	9,118		9,538	
- other related parties	75,997		84,304	

The following amounts resulted from transactions with related parties and have been reflected in the interim consolidated income statement and in the interim consolidated statement of other comprehensive income for the nine months ended 30 September 2017 and 2016:

	Nine months ended 30 September 2017 (unaudited)		Nine months ended 30 September 2016 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	132	339,052	253	244,046
- entities with joint control or significant influence over the entity	123		242	
- key management personnel of the entity or its Parent	6		8	
- other related parties	3		3	
Interest expense	(2,780)	(172,236)	(6,262)	(118,844)
- the Parent	(2,076)		(4,971)	
- entities with joint control or significant influence over the entity	(2)		(11)	
- key management personnel of the entity or its Parent	(166)		(303)	
- other related parties	(536)		(977)	
Key management personnel compensation:	1,767	31,724	1,394	27,644
- short-term employee benefits	1,767		1,394	

34. Subsequent events

On 15 November 2017, JSC Kazkommertsbank placed 700,171,633 common shares for KZT 65.2 billion, which were acquired by JSC Holding Group Almex, as approved by the National Bank of the Republic of Kazakhstan. Following the results of the common shares sales transaction, the share of JSC Holding Group Almex in JSC Kazkommertsbank comprised 25.05%.