

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

30 June 2017
with report on review of interim financial information

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

(millions of tenge)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest income	4	29,572	24,513	58,482	48,111
Interest expense	4	(18,918)	(15,259)	(36,701)	(29,996)
Net interest income		10,654	9,254	21,781	18,115
Fee and commission income	5	2,796	1,852	5,275	3,415
Fee and commission expense		(809)	(404)	(1,466)	(727)
Net gains/(losses) from financial instruments at fair value through profit or loss	6	2,026	4,538	(1,707)	6,981
Net (losses)/gains from foreign currencies	7	(1,636)	364	1,547	806
Net gains from repurchase of debt securities issued		–	180	–	248
Other operating income, net		275	816	242	663
Non-interest income		2,652	7,346	3,891	11,386
Impairment gains/(losses)	8	1,543	(2,691)	2,600	(4,819)
General and administrative expenses	9	(9,017)	(9,721)	(18,174)	(16,900)
Non-interest expenses		(7,474)	(12,412)	(15,574)	(21,719)
Profit before corporate income tax expense		5,832	4,188	10,098	7,782
Corporate income tax expense	10	(2,065)	(2,010)	(3,965)	(3,390)
Profit for the period		3,767	2,178	6,133	4,392
Attributable to:					
- shareholders of the Bank		3,707	2,161	6,054	4,382
- non-controlling interests		60	17	79	10
		3,767	2,178	6,133	4,392
Other comprehensive income					
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met</i>					
Revaluation reserve for available-for-sale securities					
- net change in fair value of available-for-sale securities		748	587	852	9
Other comprehensive income for the period, net of tax		748	587	852	9
Total comprehensive income for the period		4,515	2,765	6,985	4,401
Attributable to:					
- shareholders of the Bank		4,455	2,748	6,906	4,391
- non-controlling interests		60	17	79	10
		4,515	2,765	6,985	4,401
Basic and diluted earnings per share (in tenge)	24	0.04	0.02	0.07	0.05

Signed and authorised for release on behalf of the Management Board of the Bank:

Auezov Magzhan Muratovich
Chairman of the Management Board

Yetekbayeva Yerkin Aktynbekovna
Chief accountant

31 August 2017

The accompanying selected explanatory notes on pages 6 to 39 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2017***(millions of tenge)*

	<i>Note</i>	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Assets			
Cash and cash equivalents	11	121,387	177,241
Amounts due from financial institutions	12	7,528	10,682
Trading securities	13	286,393	207,181
Derivative financial assets	14	26,967	30,153
Loans to customers	15	647,302	623,923
Available-for-sale securities	16	59,362	19,755
Held-to-maturity securities	17	21,359	–
Property and equipment		53,066	50,698
Intangible assets		3,624	3,520
Deferred tax assets	10	7,733	11,633
Other assets	18	87,659	80,391
Total assets		1,322,380	1,215,177
Liabilities			
Current accounts and deposits of customers	19	888,359	802,835
Amounts due to banks and other financial institutions	20	73,907	69,152
Amounts payable under repurchase agreements	13	21,867	–
Debt securities issued	21	127,185	134,421
Deferred tax liabilities	10	122	81
Subordinated debt	22	22,740	22,740
Other liabilities		8,374	8,026
Total liabilities		1,142,554	1,037,255
Equity			
Share capital	23	331,584	332,094
Additional paid-in capital		21,116	21,116
Revaluation reserve for available-for-sale securities		(184)	(1,036)
Accumulated losses		(173,314)	(174,797)
Total equity attributable to the shareholders of the Bank		179,202	177,377
Non-controlling interests		624	545
Total equity		179,826	177,922
Total equity and liabilities		1,322,380	1,215,177

The accompanying selected explanatory notes on pages 6 to 39 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the six months ended 30 June 2017***(millions of tenge)*

	<i>Note</i>	<i>For the six months ended 30 June</i>	
		<i>2017</i>	<i>2016</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Interest income received		43,723	39,036
Interest expense paid		(33,713)	(26,586)
Fee and commission income received		5,009	3,397
Fee and commission expense paid		(1,466)	(727)
Net realised (losses)/gains from financial instruments at fair value through profit or loss		(230)	21
Net realised losses on dealing in foreign currencies		(1,027)	(1,211)
Other operating income received		242	656
General and administrative expenses paid		(18,214)	(17,141)
Decrease/(increase) in operating assets			
Amounts due from financial institutions		3,620	3,705
Trading securities		(71,446)	(157,923)
Loans to customers		(30,179)	16,344
Other assets		3,673	(1,482)
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		93,049	62,237
Amounts due to banks and other financial institutions		4,922	(1,598)
Amounts payable under repurchase agreements		21,866	3,696
Other liabilities		78	1,565
Net cash flows from / (used in) operating activities before income tax			
		19,907	(76,011)
Corporate income tax paid		(24)	–
Cash from / (used in) operating activities			
		19,883	(76,011)
Cash flows from investing activities			
Proceeds from redemption of available-for-sale securities		3,661	2,110
Purchase of available-for-sale securities		(41,553)	(5,205)
Purchase of held-to-maturity securities		(20,687)	–
Purchase of property and equipment and intangible assets		(2,826)	(10,736)
Proceeds from sale of property and equipment and intangible assets		79	44
Cash used in investing activities			
		(61,326)	(13,787)
Cash flows from financing activities			
Repurchase of shares	23	(510)	–
Dividends paid to shareholders of the Bank	23	(4,571)	–
Proceeds from issue of debt securities		10	–
Redemption of debt securities issued		(3,946)	–
Repurchase of debt securities issued		–	(4,804)
Repurchase of subordinated debt		–	(1,700)
Cash used in financing activities			
		(9,017)	(6,504)
Net change in cash and cash equivalents			
		(50,460)	(96,302)
Effect of exchange rate changes on cash and cash equivalents		(5,394)	6,570
Cash and cash equivalents, beginning	11	177,241	202,097
Cash and cash equivalents, ending			
	11	121,387	112,365
Non-cash transactions			
Offset of corporate income tax prepayment with other taxes payable		–	(4)
Repossession of collateral on loans to customers	15	10,745	9,652

The accompanying selected explanatory notes on pages 6 to 39 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the six months ended 30 June 2017***(millions of tenge)*

	<i>Equity attributable to shareholders of the Bank</i>				<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve for available-for-sale securities</i>	<i>Accumulated losses</i>			
At 1 January 2017	332,094	21,116	(1,036)	(174,797)	177,377	545	177,922
Profit for the period (unaudited)	–	–	–	6,054	6,054	79	6,133
Other comprehensive income							
Net change in fair value of available-for-sale securities, net of tax (unaudited)	–	–	852	–	852	–	852
Other comprehensive income for the period (unaudited)	–	–	852	–	852	–	852
Total comprehensive income for the period (unaudited)	–	–	852	6,054	6,906	79	6,985
Transactions with owners recorded directly in equity							
Repurchase of shares (<i>Note 23</i>) (unaudited)	(510)	–	–	–	(510)	–	(510)
Dividends declared (unaudited)	–	–	–	(4,571)	(4,571)	–	(4,571)
At 30 June 2017 (unaudited)	331,584	21,116	(184)	(173,314)	179,202	624	179,826

The accompanying selected explanatory notes on pages 6 to 39 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Equity attributable to shareholders of the Bank</i>				<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve for available-for-sale securities</i>	<i>Accumulated losses</i>			
At 1 January 2016	332,814	21,116	(1,092)	(186,584)	166,254	776	167,030
Profit for the period (unaudited)	–	–	–	4,382	4,382	10	4,392
Other comprehensive income							
Net change in fair value of available-for-sale securities, net of tax (unaudited)	–	–	9	–	9	–	9
Other comprehensive income for the period (unaudited)	–	–	9	–	9	–	9
Total comprehensive income for the period (unaudited)	–	–	9	4,382	4,391	10	4,401
Transactions with owners recorded directly in equity							
Acquisition of non-controlling interests (unaudited)	–	–	–	–	–	(98)	(98)
At 30 June 2016 (unaudited)	332,814	21,116	(1,083)	(182,202)	170,645	688	171,333

The accompanying selected explanatory notes on pages 6 to 39 are an integral part of these interim condensed consolidated financial statements.

(millions of tenge)

1. General information

Corporate structure and activities

These interim condensed consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the “Bank”) and its subsidiaries (hereinafter, the “Group”).

The Bank was formed in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered as ForteBank JSC.

Legal address of the Bank’s head office: 8/1, Dostyk str., 010017, Astana, Republic of Kazakhstan. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter, the “NBRK”). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the NBRK on 27 February 2015.

The Group’s primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some debt securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter, the “KASE”).

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (the “KDIF”). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a participant-bank. As at 30 June 2017 and 31 December 2016, depositors can receive limited insurance coverage for deposits up to a maximum of KZT 10 million per deposit, depending on the amount of the deposit.

As at 30 June 2017 and 31 December 2016, the Group includes the following subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership, %</i>	
			<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	80.6	80.6
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
Alliance Finance LLC	Russian Federation	Raising funds in capital markets	100.0	100.0

OUSA Alliance LLP and OUSA-F LLP were registered on 7 February 2013 and 19 August 2015, respectively, for the purpose of managing doubtful and bad assets of the Bank.

On 26 May 2016, the Bank’s Board of Directors made a decision on voluntary liquidation of Alliance Finance LLC subsidiary.

Shareholders

As at 30 June 2017, Mr. Utemuratov B.Zh. owns 88.19% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (as at 31 December 2016: 87.80%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2016.

The interim condensed consolidated financial statements are presented in millions of Kazakhstan tenge (“tenge” or “KZT”), unless otherwise is stated.

As at 30 June 2017, the official exchange rate was KZT 322.27 to USD 1 (as at 31 December 2016: KZT 333.29 to USD 1).

(millions of tenge)

2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the Bank and the majority of its subsidiaries is tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

The Kazakhstan tenge is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new Standards as at 1 January 2017, noted below. The Group has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

Although these new standards and amendments apply for the first time in 2017, they do not have a material effect on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 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.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance.

Annual improvements cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group has adopted the amendments retrospectively. The amendments have no effect on the Group's financial statements.

(millions of tenge)

3. Significant accounting judgements and estimates

Estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The management of the Bank uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market conditions.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Group's tax position as at 30 June 2017 and 31 December 2016 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

*(millions of tenge)***4. Net interest income**

Interest income and expense comprise:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Interest income				
Loans to customers	22,866	19,367	45,987	39,242
Available-for-sale securities	1,238	302	1,786	586
Amounts due from financial institutions	361	465	814	1,091
Held-to-maturity securities	146	–	146	–
Amounts receivable under reverse repurchase agreements	16	255	90	1,755
	24,627	20,389	48,823	42,674
Trading securities	4,945	4,124	9,659	5,437
	29,572	24,513	58,482	48,111
Interest expense				
Current accounts and deposits of customers	(14,194)	(10,828)	(27,415)	(20,763)
Debt securities issued	(3,437)	(3,485)	(6,873)	(7,460)
Amounts due to banks and other financial institutions	(815)	(329)	(1,483)	(652)
Subordinated debt	(448)	(497)	(896)	(1,001)
Amounts payable under repurchase agreements	(24)	(120)	(34)	(120)
	(18,918)	(15,259)	(36,701)	(29,996)
Net interest income	10,654	9,254	21,781	18,115

Interest income for the six-month period ended 30 June 2017 includes interest income of KZT 5,130 million accrued on impaired financial assets (six-month period ended 30 June 2016: KZT 4,295 million).

5. Fee and commission income

Fee and commission income includes the following:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Settlement transactions	881	688	1,817	1,311
Card transactions	844	413	1,540	754
Cash transactions	467	367	829	659
Commissions on guarantees and letters of credits	269	133	458	230
Foreign currency transactions and transactions with securities	174	114	314	221
Trust management, custodial and other fiduciary services	18	22	36	45
Other	143	115	281	195
	2,796	1,852	5,275	3,415

*(millions of tenge)***6. Net gains/(losses) from financial instruments at fair value through profit or loss**

Net gains/(losses) from financial instruments at fair value through profit or loss are presented as follows:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Net gain from change in fair value of trading securities	1,427	5,471	1,733	7,350
Net gain/(loss) from derivative financial instruments	599	(933)	(3,440)	(369)
	2,026	4,538	(1,707)	6,981

During the six-month period ended 30 June 2017, net loss from derivative financial instruments includes unrealized loss in the amount of KZT 3,186 million from change in fair value of currency swaptions under the agreements with the NBRK (six-month period ended 30 June 2016: unrealized loss in the amount of KZT 322 million).

7. Net (losses)/gains from foreign currencies

Net (losses)/gains from foreign currencies are presented as follows:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Translation differences, net	(1,388)	943	2,571	2,017
Dealing transactions, net	(248)	(579)	(1,024)	(1,211)
Net (losses)/gains from foreign currencies	(1,636)	364	1,547	806

8. Impairment gains/(losses)

Impairment gains/(losses) comprise:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Loans to customers (<i>Note 15</i>)	2,042	(2,281)	2,996	(4,697)
Amounts due from financial institutions (<i>Note 12</i>)	(4)	–	(4)	–
Property and equipment	–	(5)	–	(5)
Other assets	(495)	(405)	(392)	(117)
	1,543	(2,691)	2,600	(4,819)

*(millions of tenge)***9. General and administrative expenses**

General and administrative expenses comprise:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Payroll and related taxes	(5,232)	(5,373)	(10,059)	(8,878)
Depreciation and amortization	(1,033)	(688)	(2,008)	(1,438)
Taxes other than corporate income tax	(509)	(859)	(1,186)	(1,675)
Maintenance of buildings	(395)	(308)	(857)	(682)
Rent (<i>Note 26</i>)	(400)	(453)	(851)	(890)
Repair and maintenance	(378)	(300)	(748)	(511)
Telecommunication and information services	(290)	(183)	(566)	(315)
Security	(243)	(222)	(496)	(478)
Advertising and marketing	(195)	(846)	(501)	(1,012)
Encashment	(95)	(95)	(190)	(184)
Transportation	(87)	(97)	(187)	(178)
Other professional services	(68)	(53)	(136)	(73)
Legal services	(62)	(42)	(82)	(165)
Other	(30)	(202)	(307)	(421)
	(9,017)	(9,721)	(18,174)	(16,900)

10. Corporate income tax expense

Corporate income tax expense comprises:

	<i>For the three months ended 30 June</i>		<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Current corporate income tax charge	(24)	–	(24)	–
Deferred corporate income tax charge – origination and reversal of temporary differences	(2,041)	(2,010)	(3,941)	(3,390)
Corporate income tax expense	(2,065)	(2,010)	(3,965)	(3,390)

As at 30 June 2017, deferred corporate income tax assets comprise KZT 7,733 million (as at 31 December 2016: KZT 11,633 million). As at 30 June 2017 and 31 December 2016, deferred corporate income tax liabilities comprise KZT 122 million and KZT 81 million, respectively.

*(millions of tenge)***11. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Cash on hand	27,737	38,610
Cash on current accounts with the NBRK	40,352	88,492
Cash on current accounts with other banks:		
- rated from AA- to AA+	2	–
- rated from A- to A+	8,671	37,756
- rated from BBB- to BBB+	8,077	9,913
- rated from BB- to BB+	2,011	1,285
- rated below B+	165	119
- not rated	10	63
Time deposits with other banks with contractual maturity of 90 days or less:		
- rated from BBB- to BBB+	16,129	–
- rated from BB- to BB+	4,676	–
- rated from B- to B+	11,557	–
Amounts receivable under reverse repurchase agreements with contractual maturity of less than 90 days	2,000	1,003
	121,387	177,241

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

Cash and cash equivalents are neither impaired nor overdue.

As at 30 June 2017 and 31 December 2016, the Group has reverse repurchase agreements entered on the KASE. The subject of these agreements is government bonds with total fair value of KZT 2,055 million as at 30 June 2017 (as at 31 December 2016: KZT 1,025 million).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (cash on hand in local currency and cash on accounts with the NBRK) equal or in excess of the average minimum requirements. As at 30 June 2017, combined minimum reserve requirements of the Bank amount to KZT 14,187 million (as at 31 December 2016: KZT 12,360 million).

Concentration of cash and cash equivalents

As at 30 June 2017 and 31 December 2016, the Group has accounts with two banks which balances exceed 10% of total cash and cash equivalents. The total balance on the accounts with the above counterparties as at 30 June 2017 and 31 December 2016 amounts to KZT 60,456 million and KZT 116,405 million, respectively.

12. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Current accounts with the NBRK restricted in use	1,022	2,573
Loans and deposits with other banks:		
- rated from AA- to AA+	16	17
- rated from A- to A+	2,046	1,530
- rated from BBB- to BBB+	81	83
- rated from BB- to BB+	1	–
- rated below B+	3,949	6,588
- not rated	942	427
Total amounts due from financial institutions before allowance for impairment	8,057	11,218
Allowance for impairment	(529)	(536)
Amounts due from financial institutions	7,528	10,682

*(millions of tenge)***12. Amounts due from financial institutions (continued)**

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

Amounts on current accounts with the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending to businesses.

Concentration of amounts due from financial institutions

As at 30 June 2017, the Group has amounts due from four financial institutions (as at 31 December 2016: three) which balances exceed 10% of total due from financial institutions. The total value of these balances as at 30 June 2017 is KZT 7,006 million (as at 31 December 2016: KZT 9,103 million).

Change in the allowance for impairment during three-month period ended 30 June 2017 and 2016 is presented as follows:

	<i>For the three months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
At the beginning of the period	(517)	–
Impairment charge (<i>Note 8</i>)	(4)	–
Effect from changes in exchange rates	(8)	–
At the end of the period	(529)	–

Change in the allowance for impairment during six-month period ended 30 June 2017 and 2016 is presented as follows:

	<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
At the beginning of the period	(536)	–
Impairment charge (<i>Note 8</i>)	(4)	–
Effect from changes in exchange rates	11	–
At the end of the period	(529)	–

13. Trading securities

Trading securities comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Debt instruments		
Government bonds		
Treasury bills of the United States of America rated AAA	38,573	26,619
Notes of the National Bank of the Republic of Kazakhstan rated BBB-	200,571	124,034
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	29,496	30,127
Total government bonds	268,640	180,780
Corporate bonds		
Rated from AA- to AA+	642	643
Rated from BBB- to BBB+	6,170	4,493
Not rated	–	2
Total corporate bonds	6,812	5,138
Bonds of banks		
Rated from AA- to AA+	–	1,008
Rated from BBB- to BBB+	1,323	1,353
Rated from BB- to BB+	9,532	18,818
Total bonds of banks	10,855	21,179
Equity instruments	86	84
	286,393	207,181

*(millions of tenge)***13. Trading securities (continued)**

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

As at 30 June 2017, the Group pledged as collateral under repurchase agreements Treasury bills of the Ministry of Finance of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan with carrying amount of KZT 13,936 million and KZT 11,100 million, respectively (as at 31 December 2016: nil). As at 30 June 2017 the carrying amount of associated liabilities on repurchase agreements is KZT 21,867 million (as at 31 December 2016: nil).

14. Derivative financial assets

Derivative financial assets are as follows:

	<i>30 June 2017</i>			<i>31 December 2016</i>		
	<i>Notional amount</i>	<i>Fair values</i>		<i>Notional amount</i>	<i>Fair values</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Currency swaptions	61,231	26,967	–	63,325	30,153	–
	61,231	26,967	–	63,325	30,153	–

Swaptions are contractual agreements that convey the right, but not the obligation, for the purchaser to exchange movements in foreign currency rates and to make payments with respect to defined events based on specified notional amounts.

15. Loans to customers

Loans to customers comprise:

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Individually significant corporate loans		
Loans to large entities	190,486	173,966
Total individually significant corporate loans	190,486	173,966
Individually insignificant corporate loans and loans to individuals		
Corporate loans	126,624	117,697
Mortgage loans	100,480	102,602
Consumer loans	78,782	81,483
Car loans	3,336	3,478
Credit cards	357	399
Other loans secured by collateral	206,358	200,232
Total individually insignificant corporate loans and loans to individuals	515,937	505,891
Loans to customers before allowance for impairment	706,423	679,857
Allowance for impairment	(59,121)	(55,934)
Loans to customers net of allowance for impairment	647,302	623,923

Change in allowance for impairment for the three-month and six-month periods ended 30 June are presented as follows:

	<i>For the three months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
As at 1 April	(57,250)	(48,998)
Net reversal/(charge) <i>(Note 8)</i>	2,042	(2,281)
Net (recoveries)/write-offs	(3,198)	1,894
Effect from changes in exchange rates	(715)	504
As at 30 June	(59,121)	(48,881)

*(millions of tenge)***15. Loans to customers (continued)**

	<i>For the six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
As at 1 January	(55,934)	(50,883)
Net reversal/(charge) <i>(Note 8)</i>	2,996	(4,697)
Net (recoveries)/write-offs	(6,869)	6,555
Effect from changes in exchange rates	686	144
As at 30 June	(59,121)	(48,881)

Quality of individually significant corporate loans

Information on the quality of individually significant corporate loans as at 30 June 2017 is presented in the table below:

	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Individually significant corporate loans				
Loans without individual signs of impairment	120,471	(241)	120,230	0.20
Impaired loans				
Not overdue	35,835	(2,233)	33,602	6.23
Overdue for less than 90 days	5,689	(3,667)	2,022	64.46
Overdue for 90 days to 360 days	331	(1)	330	0.30
Overdue for more than 360 days	28,160	(18,782)	9,378	66.70
Total impaired loans	70,015	(24,683)	45,332	35.25
Total individually significant corporate loans	190,486	(24,924)	165,562	13.08

Information on the quality of individually significant corporate loans at 31 December 2016 is presented in the table below:

	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Individually significant corporate loans				
Loans without individual signs of impairment	98,719	(168)	98,551	0.17
Impaired loans				
Not overdue	41,407	(3,801)	37,606	9.18
Overdue for less than 90 days	–	–	–	–
Overdue for 90 days to 360 days	1,206	(315)	891	26.12
Overdue for more than 360 days	32,634	(20,586)	12,048	63.08
Total impaired loans	75,247	(24,702)	50,545	32.83
Total individually significant corporate loans	173,966	(24,870)	149,096	14.30

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually significant corporate loans (continued)**

A loan is impaired as a result of one or several events occurred after the initial recognition of a loan and having an impact on the estimated future cash flows on the loan that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The Group estimates the amount of allowance for impairment of individually significant corporate loans based on an analysis of the future cash flows for loans with individual signs of impairments and based on its past loss experience for portfolios of loans for which no individual indications of impairment has been identified.

Analysis of movements in allowance for impairment

Movements in the allowance for impairment of individually significant corporate loans for three-month periods ended 30 June 2017 and 2016 are as follows:

	<i>For the three months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
As at 1 April	(24,909)	(24,520)
Net reversal/(charge)	2,005	(688)
Net (recoveries)/write-offs	(1,421)	1,382
Effect from changes in exchange rates	(599)	373
As at 30 June	(24,924)	(23,453)

Movements in the allowance for impairment of individually significant corporate loans for the six-month periods ended 30 June 2017 and 2016 are as follows:

	<i>For the six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
As at 1 January	(24,870)	(26,898)
Net reversal/(charge)	2,259	(802)
Net (recoveries)/write-offs	(2,588)	4,144
Effect from changes in exchange rates	275	103
As at 30 June	(24,924)	(23,453)

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually insignificant corporate loans and loans to individuals**

The following table provides information on the credit quality of corporate loans that are not individually insignificant and loans to individuals collectively assessed for impairment as at 30 June 2017:

<i>(unaudited)</i>	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Individually insignificant corporate loans				
Not overdue	94,460	(492)	93,968	0.52
Overdue for less than 30 days	1,863	(19)	1,844	1.02
Overdue for 30 to 89 days	824	(46)	778	5.58
Overdue for 90 to 179 days	1,501	(9)	1,492	0.60
Overdue for 180 to 360 days	1,847	(227)	1,620	12.29
Overdue for more than 360 days	26,129	(6,228)	19,901	23.84
Total individually insignificant corporate loans	126,624	(7,021)	119,603	5.54
Mortgage loans				
Not overdue	55,148	(11)	55,137	0.02
Overdue for less than 30 days	2,864	(5)	2,859	0.17
Overdue for 30 to 89 days	1,310	(15)	1,295	1.15
Overdue for 90 to 179 days	739	(97)	642	13.13
Overdue for 180 to 360 days	1,088	(186)	902	17.10
Overdue for more than 360 days	39,331	(8,194)	31,137	20.83
Total mortgage loans	100,480	(8,508)	91,972	8.47
Consumer loans				
Not overdue	68,696	(203)	68,493	0.30
Overdue for less than 30 days	3,399	(169)	3,230	4.97
Overdue for 30 to 89 days	1,053	(325)	728	30.86
Overdue for 90 to 179 days	1,044	(651)	393	62.36
Overdue for 180 to 360 days	1,670	(1,252)	418	74.97
Overdue for more than 360 days	2,920	(2,192)	728	75.07
Total consumer loans	78,782	(4,792)	73,990	6.08
Car loans				
Not overdue	1,347	–	1,347	0.00
Overdue for less than 30 days	31	–	31	0.00
Overdue for 30 to 89 days	–	–	–	–
Overdue for 90 to 179 days	10	–	10	0.00
Overdue for 180 to 360 days	9	–	9	0.00
Overdue for more than 360 days	1,939	(143)	1,796	7.37
Total car loans	3,336	(143)	3,193	4.29
Credit cards				
Not overdue	192	(1)	191	0.52
Overdue for less than 30 days	9	–	9	0.00
Overdue for 30 to 89 days	6	(2)	4	33.33
Overdue for 90 to 179 days	3	(2)	1	66.67
Overdue for 180 to 360 days	12	(9)	3	75.00
Overdue for more than 360 days	135	(101)	34	74.81
Total credit cards	357	(115)	242	32.21

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually insignificant corporate loans and loans to individuals (continued)**

	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Other loans secured by collateral				
Not overdue	116,818	(38)	116,780	0.03
Overdue for less than 30 days	9,863	(12)	9,851	0.12
Overdue for 30 to 89 days	4,279	(19)	4,260	0.44
Overdue for 90 to 179 days	2,705	(95)	2,610	3.51
Overdue for 180 to 360 days	2,568	(246)	2,322	9.58
Overdue for more than 360 days	70,125	(13,208)	56,917	18.83
Total other loans secured by collateral	206,358	(13,618)	192,740	6.60
Total individually insignificant corporate loans and loans to individuals	515,937	(34,197)	481,740	6.63

The following table provides information on the credit quality of corporate loans that are not individually insignificant and loans to individuals collectively assessed for impairment as at 31 December 2016:

	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Individually insignificant corporate loans				
Not overdue	85,541	(296)	85,245	0.35
Overdue for less than 30 days	1,291	(13)	1,278	1.01
Overdue for 30 to 89 days	1,083	(19)	1,064	1.75
Overdue for 90 to 179 days	1,614	(125)	1,489	7.74
Overdue for 180 to 360 days	1,039	(226)	813	21.75
Overdue for more than 360 days	27,129	(6,283)	20,846	23.16
Total individually insignificant corporate loans	117,697	(6,962)	110,735	5.92

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually insignificant corporate loans and loans to individuals (continued)**

	<i>Loans before allowance for impairment</i>	<i>Allowance for impairment</i>	<i>Loans net of allowance for impairment</i>	<i>Allowance for impairment to gross loans (%)</i>
Mortgage loans				
Not overdue	56,287	(7)	56,280	0.01
Overdue for less than 30 days	2,435	(3)	2,432	0.12
Overdue for 30 to 89 days	1,396	(236)	1,160	16.91
Overdue for 90 to 179 days	816	(29)	787	3.55
Overdue for 180 to 360 days	1,959	(493)	1,466	25.17
Overdue for more than 360 days	39,709	(7,035)	32,674	17.72
Total mortgage loans	102,602	(7,803)	94,799	7.61
Consumer loans				
Not overdue	72,548	(165)	72,383	0.23
Overdue for less than 30 days	3,100	(110)	2,990	3.55
Overdue for 30 to 89 days	1,115	(222)	893	19.91
Overdue for 90 to 179 days	1,077	(523)	554	48.56
Overdue for 180 to 360 days	1,873	(1,405)	468	75.01
Overdue for more than 360 days	1,770	(1,329)	441	75.08
Total consumer loans	81,483	(3,754)	77,729	4.61
Car loans				
Not overdue	1,576	–	1,576	0.00
Overdue for less than 30 days	5	–	5	0.00
Overdue for 30 to 89 days	8	–	8	0.00
Overdue for 180 to 360 days	63	(12)	51	19.05
Overdue for more than 360 days	1,826	(44)	1,782	2.41
Total car loans	3,478	(56)	3,422	1.61
Credit cards				
Not overdue	276	(1)	275	0.36
Overdue for less than 30 days	2	–	2	0.00
Overdue for 30 to 89 days	2	–	2	0.00
Overdue for 90 to 179 days	1	(1)	–	100.00
Overdue for 180 to 360 days	6	(5)	1	83.33
Overdue for more than 360 days	112	(92)	20	82.14
Total credit cards	399	(99)	300	24.81
Other loans secured by collateral				
Not overdue	114,008	(23)	113,985	0.02
Overdue for less than 30 days	7,514	(15)	7,499	0.20
Overdue for 30 to 89 days	3,164	(31)	3,133	0.98
Overdue for 90 to 179 days	1,925	(111)	1,814	5.77
Overdue for 180 to 360 days	3,453	(1,339)	2,114	38.78
Overdue for more than 360 days	70,168	(10,871)	59,297	15.49
Total other loans secured by collateral	200,232	(12,390)	187,842	6.19
Total individually insignificant corporate loans and loans to individuals	505,891	(31,064)	474,827	6.14

As at 30 June 2017, certain loans were restructured and recognised in accordance with the changed conditions as presented in the above tables, but prior to successful completion of a certain trial period they were assessed for impairment as if there were no changes in the repayment schedule.

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually insignificant corporate loans and loans to individuals (continued)**

The Group estimates loan impairment based on its past loss experience on each type of a loan. Significant assumptions used by the management in determining the amount of allowance for impairment of individually insignificant corporate loans, loans issued to individuals, and individually significant corporate loans without individual signs of impairment include:

- Loss migration rates are constant and can be estimated based on a 12 month loss migration pattern;
- Restructured loans have a probation period of 6 months; during this period restructured loans are considered as overdue loans. If during the trial term the loan servicing is performed in accordance with the restructured terms, it is treated as “recovered”;
- Delay in proceeds from sale of pledge is 12 months for movable property and 24 months for immovable property.

Analysis of movements in allowance for impairment

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for three-month period ended 30 June 2017 are as follows:

<i>(unaudited)</i>	<i>Individually insignificant corporate loans</i>	<i>Mortgage loans</i>	<i>Consumer loans</i>	<i>Car loans</i>	<i>Credit cards</i>	<i>Other loans secured by collateral</i>	<i>Total</i>
As at 1 April	(6,935)	(8,021)	(4,707)	(97)	(108)	(12,473)	(32,341)
Net (charge)/reversal	(563)	829	140	(22)	(1)	(346)	37
Net write-offs/ (recoveries)	548	(1,265)	(225)	(23)	(3)	(809)	(1,777)
Effect from changes in exchange rates	(71)	(51)	–	(1)	(3)	10	(116)
As at 30 June	(7,021)	(8,508)	(4,792)	(143)	(115)	(13,618)	(34,197)

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for six-month period ended 30 June 2017 are as follows:

<i>(unaudited)</i>	<i>Individually insignificant corporate loans</i>	<i>Mortgage loans</i>	<i>Consumer loans</i>	<i>Car loans</i>	<i>Credit cards</i>	<i>Other loans secured by collateral</i>	<i>Total</i>
As at 1 January	(6,962)	(7,803)	(3,754)	(56)	(99)	(12,390)	(31,064)
Net (charge)/reversal	(906)	1,450	(539)	(44)	6	770	737
Net write-offs/ (recoveries)	686	(2,236)	(499)	(47)	(21)	(2,164)	(4,281)
Effect from changes in exchange rates	161	81	–	4	(1)	166	411
As at 30 June	(7,021)	(8,508)	(4,792)	(143)	(115)	(13,618)	(34,197)

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for three-month period ended 30 June 2016 are as follows:

<i>(unaudited)</i>	<i>Individually insignificant corporate loans</i>	<i>Mortgage loans</i>	<i>Consumer loans</i>	<i>Car loans</i>	<i>Credit cards</i>	<i>Other loans secured by collateral</i>	<i>Total</i>
As at 1 April	(4,330)	(5,761)	(2,409)	(27)	(179)	(11,772)	(24,478)
Net reversal/(charge)	(1,216)	901	(1,426)	8	(546)	686	(1,593)
Net (recoveries)/ write-offs	796	(1,671)	831	(9)	105	460	512
Effect from changes in exchange rates	47	25	–	–	1	58	131
As at 30 June	(4,703)	(6,506)	(3,004)	(28)	(619)	(10,568)	(25,428)

*(millions of tenge)***15. Loans to customers (continued)****Quality of individually insignificant corporate loans and loans to individuals (continued)***Analysis of movements in allowance for impairment (continued)*

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for six-month period ended 30 June 2016 are as follows:

<i>(unaudited)</i>	<i>Individually insignificant corporate loans</i>	<i>Mortgage loans</i>	<i>Consumer loans</i>	<i>Car loans</i>	<i>Credit cards</i>	<i>Other loans secured by collateral</i>	<i>Total</i>
As at 1 January	(5,040)	(5,378)	(3,480)	(241)	(803)	(9,043)	(23,985)
Net reversal/(charge)	106	868	(3,191)	7	86	(1,771)	(3,895)
Net (recoveries)/write-offs	216	(2,004)	3,667	206	98	228	2,411
Effect from changes in exchange rates	15	8	–	–	–	18	41
As at 30 June	(4,703)	(6,506)	(3,004)	(28)	(619)	(10,568)	(25,428)

Analysis of collateral and other enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment. Recoverability of neither past due nor individually impaired loans mainly depends on creditworthiness of the borrower rather than on collateral.

For certain mortgage loans and other loans to individuals the Group updates the estimated values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also carry out a specific individual valuation of collateral at each reporting date where there are indications of impairment.

As at 30 June 2017, loans net of allowance for impairment overdue over 90 days amount to KZT 130,643 million (31 December 2016: KZT 137,556 million). Total fair value of collateral securing such loans, limited to the amount of the value of the respective loans before allowance for impairment, was equal to KZT 139,121 million (31 December 2016: KZT 146,361 million).

Reposessed collateral

During six-month period ended 30 June 2017, the Group reposessed collateral on loans to customers, represented by real estate, with a carrying amount totalling to KZT 10,745 million (six-month period ended 30 June 2016: KZT 9,652 million). The Group's policy assumes sale of these assets as soon as it is practicable.

*(millions of tenge)***15. Loans to customers (continued)****Industry and geographical analysis of loans**

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Loans to retail customers	389,313	388,194
Wholesale trading	53,875	47,497
Services provided by small and medium businesses	44,954	45,708
Construction	40,547	36,060
Real estate activities	59,186	56,678
Financial services	8,467	11,006
Heavy industry	26,102	20,464
Retail trading	16,626	15,306
Food industry	11,580	7,767
Metallurgy	7,974	5,561
Agriculture	7,892	7,412
Transportations	7,339	10,698
Production of metal goods	7,118	6,410
Chemical industry	5,108	5,623
Light industry	3,813	3,664
Manufacturing	3,016	3,338
Production of crude oil and natural gas	1,562	1,543
Post and communications	460	393
Other	11,491	6,535
	706,423	679,857
Allowance for impairment	(59,121)	(55,934)
	647,302	623,923

Concentration of loans to customers

As at 30 June 2017 and 31 December 2016, the Group has no borrowers or groups of related borrowers whose loan balances exceed 10% of total loans to customers.

*(millions of tenge)***16. Available-for-sale securities**

Available-for-sale securities comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Debt instruments		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	48,330	11,280
Total government bonds	<u>48,330</u>	<u>11,280</u>
Corporate bonds		
- Rated from BBB- to BBB+	5,720	4,797
Total corporate bonds	<u>5,720</u>	<u>4,797</u>
Bonds of banks		
- Rated from BB- to BB+	3,654	3,678
- Rated from B- to B+	1,658	-
Total bonds of banks	<u>5,312</u>	<u>3,678</u>
	<u><u>59,362</u></u>	<u><u>19,755</u></u>

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

17. Held-to-maturity securities

Held-to-maturity securities comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Debt instruments		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	11,430	-
- Bonds of foreign governments rated BB+	652	-
Total government bonds	<u>12,082</u>	<u>-</u>
Corporate bonds		
- Rated from BB- to BB+	5,214	-
Total corporate bonds	<u>5,214</u>	<u>-</u>
Bonds of banks		
- Rated from BB- to BB+	4,063	-
Total bonds of banks	<u>4,063</u>	<u>-</u>
	<u><u>21,359</u></u>	<u><u>-</u></u>

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

*(millions of tenge)***18. Other assets**

Other assets comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Reposessed collateral held for sale	63,808	56,575
Other receivables from banking activities	13,195	12,935
Prepayments and other receivables	7,823	7,601
Investment property	1,417	1,448
Prepaid taxes other than corporate income tax	2,714	2,788
Inventories	685	694
Current corporate income tax asset	24	24
Other	948	776
Total other assets	90,614	82,841
Allowance for impairment	(2,955)	(2,450)
	87,659	80,391

Even though the Bank is currently working actively to dispose reposessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the reposessed collateral.

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Current accounts and demand deposits		
- Retail customers	30,179	28,570
- Corporate customers	160,357	111,696
Term deposits		
- Retail customers	392,700	374,820
- Corporate customers	264,229	242,061
Guarantee deposits		
- Retail customers	7,134	4,246
- Corporate customers	33,760	41,442
	888,359	802,835

Concentration of customers' current accounts and deposits

As at 30 June 2017 and 31 December 2016, the Group had one customer whose balances exceeded 10% of total customer accounts and deposits. The outstanding balance of current accounts and deposits of this customer as at 30 June 2017 was KZT 149,730 million (as at 31 December 2016: KZT 146,886 million).

As at 30 June 2017 time deposits include deposits of individuals in the amount of KZT 392,700 million (as at 31 December 2016: KZT 374,820 million). In accordance with the Kazakhstan Civil Code, the Bank is obliged to repay time deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

*(millions of tenge)***20. Amounts due to banks and other financial institutions**

Amounts due to banks and other financial institutions comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Loans from governmental organizations	50,990	54,788
Loans from other financial institutions	22,796	13,473
Current accounts and deposits of banks	121	891
	73,907	69,152

As at 30 June 2017, loans from governmental organizations include loans from Entrepreneurship Development Fund “Damu” JSC and Development Bank of Kazakhstan JSC in the amount of KZT 19,308 million (as at 31 December 2016: KZT 17,364 million) and KZT 9,683 million (as at 31 December 2016: KZT 15,292 million), respectively, received as part of the state program for support of small and medium-sized businesses by the banking sector. The loans are denominated in KZT, bear interest rates of 2.0%-8.5% per annum and mature in 2017-2035.

As at 30 June 2017 loans from governmental organizations also include loan in the amount of KZT 20,451 million (as at 31 December 2016: KZT 20,402 million) received from Fund of Problem Loans JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The loan is denominated in tenge, has an interest rate of 2.99% per annum and matures in 2035.

As at 30 June 2017 loans from other financial institutions include loans in the amount of KZT 19,195 million (as at 31 December 2016: KZT 9,748 million) received from European Bank for Reconstruction and Development as part of the program for supporting of micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge and mature in 2019-2020.

In accordance with the terms of the loan agreement with European Bank for Reconstruction and Development the lender has the right to request early repayment of the loan received by the Bank in case the credit rating of the guarantor under the loan agreement is downgraded. On 30 June 2017 credit rating agency Standard & Poor’s downgraded the credit rating of the guarantor under the loan agreement, however, this fact was not considered by the lender as a basis for early redemption of the debt.

21. Debt securities issued

The carrying amount of debt securities issued included the following:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Eurobonds denominated in US dollars	76,528	83,927
Bonds denominated in tenge	50,657	50,494
	127,185	134,421

As at 30 June 2017, eurobonds denominated in US dollar include two types of instruments: international bonds with the carrying amount of KZT 64,986 million (as at 31 December 2016: KZT 71,996 million) maturing in 2024 and bearing a coupon of 11.75% per annum, paid semi-annually, issued in exchange for restructured debt and international bonds listed in the London Stock Exchange with the carrying amount of KZT 11,542 million (as at 31 December 2016: KZT 11,931 million) maturing in 2022 and bearing a coupon of 14% per annum, paid semi-annually, that were assumed as a result of business combination with Temirbank JSC.

As at 30 June 2017, bonds denominated in tenge include two types of instruments: bonds with the carrying amount of KZT 4,001 million (as at 31 December 2016: KZT 4,037 million) maturing in 2020 and bearing a coupon of 1% + inflation index per annum (capped at 12% per annum), paid semi-annually, and bonds with the carrying amount of KZT 46,656 million (as at 31 December 2016: KZT 46,457 million) maturing in 2025 and bearing a coupon of 10.13% per annum, paid semi-annually. Bonds denominated in tenge and maturing in 2020 are secured by the Group’s mortgage loans to customers with total value of 110% of the nominal value of the bonds, which amounts to KZT 4,291 million (as at 31 December 2016: KZT 4,291 million).

*(millions of tenge)***22. Subordinated debt**

Subordinated debt comprises:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Subordinated debt bonds denominated in KZT	22,740	22,740
	<u>22,740</u>	<u>22,740</u>

Subordinated bonds denominated in tenge mature in 2020-2031 and have a fixed coupon rate of 8% per annum. The coupon is paid semi-annually.

23. Share capital

The number of authorised, placed and outstanding common shares and share capital as at 30 June 2017 and 31 December 2016 are as follows:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Common shares		
Number of authorised shares, pieces	150,003,000,000	150,003,000,000
Number of placed shares, pieces	92,387,104,089	92,387,104,089
Number of repurchased shares, pieces	961,484,343	551,028,376
Number of outstanding shares, pieces	91,425,619,746	91,836,075,713
Total share capital, millions of tenge	331,584	332,094

Movements in outstanding, placed and fully paid common shares were as follows:

	<i>Number of shares, pieces</i>	<i>Placement value, in millions of tenge</i>
At 1 January 2017	91,836,075,713	332,094
Repurchase (unaudited)	(410,455,967)	(510)
At 30 June 2017 (unaudited)	<u>91,425,619,746</u>	<u>331,584</u>
At 1 January 2016	92,387,101,213	332,814
At 30 June 2016 (unaudited)	<u>92,387,101,213</u>	<u>332,814</u>

In accordance with the decision taken at the annual general meeting of shareholders held on 15 May 2017, the Bank declared dividends on common shares for the year ended 31 December 2016 in the amount of KZT 4,571 million or KZT 0.05 per common share including taxes. During the six-month period ended 30 June 2017, the Bank didn't declare or pay any dividends on common shares.

24. Earnings per share

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	<i>For the three months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Net profit attributable to shareholders of the Bank	3,707	2,161
The weighted average number of common shares for the three-month period ended 30 June	91,527,654,656	92,387,101,213
Basic and diluted earnings per share, in tenge	0.04	0.02

*(millions of tenge)***24. Earnings per share (continued)**

	<i>For the six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Net profit attributable to shareholders of the Bank	6,054	4,382
The weighted average number of common shares for the six-month period ended 30 June	91,514,335,610	92,387,101,213
Basic and diluted earnings per share, in tenge	0.07	0.05

As at 30 June 2017 and 31 December 2016, the Bank did not have any financial instruments diluting earnings per share.

25. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank.

As at 30 June 2017 and 31 December 2016, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The NBRK sets and monitors capital requirements for the Bank.

Under the current capital requirements set by the NBRK banks have to maintain:

- A ratio of basic capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k1);
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1.2);
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k2).

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the share capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 30 June 2017 and 31 December 2016:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Tier 1 capital	172,506	171,964
Tier 2 capital	20,884	21,514
Total capital	193,390	193,478
Risk-weighted statutory assets, contingent liabilities, operational and market risk	925,625	856,730
Ratio k1 (min. 5%)	18.6%	20.1%
Ratio k1.2 (min. 6%)	18.6%	20.1%
Ratio k.2 (min. 7.5%)	20.9%	22.6%

(millions of tenge)

26. Commitments and contingencies

Political and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Low prices for crude oil and the volatility of KZT exchange rate against major foreign currencies have a negative impact on the Kazakhstan economy. Combination of these factors resulted in a limited access to capital, high cost of capital, high inflation rate and uncertainty regarding further economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. The management of the Group believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loans and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Undrawn loan commitments	79,974	85,508
Guarantees issued	29,824	20,984
Letters of credit	78	3,950
	109,876	110,442

Most of these credit related commitments may terminate without being partially or fully funded. As a result, these credit related contingencies, indicated above, do not necessarily represent the future cash outflow. The majority of undrawn loan commitments does not represent absolute commitments of the Group.

Operating lease commitments

Operating lease liabilities that could not be unilaterally cancelled could be presented as follows:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Not later than 1 year	1,010	857
1 to 5 years	2,600	2,765
Over 5 years	1,050	1,310
	4,660	4,932

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the six-month period ended 30 June 2017, operating lease payments accounted as expense within profit or loss amount to KZT 851 million (six-month period ended 30 June 2016: KZT 890 million) (*Note 9*).

*(millions of tenge)***26. Commitments and contingencies (continued)****Litigations**

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group.

Management is unaware of any significant actual, pending or threatened claims against the Group.

Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities in these interim condensed consolidated financial statements based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

27. Related party transactions**Remuneration of members of the Board of Directors and the Management Board**

Total remuneration to members of the Management Board and Board of Directors included in general and administrative expenses for three-month and six-month periods ended 30 June 2017 and 2016 is as follows:

	<i>For three months ended 30 June</i>		<i>For six months ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Members of the Board of Directors and Management Board of the Group	226	237	413	444
	226	237	413	444

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 30 June 2017 and 31 December 2016 total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 2,239 million and KZT 2,750 million, correspondingly, in accordance with the Decree of the NBRK No. 74 dated 24 February 2012, should be paid during the period of not less than three years, under the specific conditions.

*(millions of tenge)***27. Related party transactions (continued)****Transactions with other related parties**

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 30 June 2017 and related income and expense amounts for the three and six-month periods ended 30 June 2017 from transactions with related parties are as follows:

	<i>30 June 2017</i>						<i>Total</i>
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>		
	<i>Average effective interest rate, (%)</i>	<i>Average effective interest rate, (%)</i>	<i>Average effective interest rate, (%)</i>	<i>Average effective interest rate, (%)</i>	<i>Average effective interest rate, (%)</i>	<i>Average effective interest rate, (%)</i>	
<i>In million tenge</i>	<i>In million tenge</i>	<i>In million tenge</i>	<i>In million tenge</i>	<i>In million tenge</i>	<i>In million tenge</i>	<i>In million tenge</i>	
Assets							
Amounts due from financial institutions	–	–	2,800	14.0	–	–	2,800
Loans to customers	–	–	818	2.0	550	12.29	1,368
Other assets	–	–	12	–	17	–	29
Liabilities							
Current accounts and deposits of customers	2,974	2.0	2,151	1.2	18,619	3.6	23,744
Amounts due to banks and other financial institutions	–	–	118	–	–	–	118
Other liabilities	–	–	13	–	58	–	71
Contingent liabilities	–	–	–	–	35	–	35
<i>For the three months ended 30 June 2017 (unaudited)</i>							
	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Other related parties</i>	<i>Total</i>			
Income/(expense)							
Interest income		–	136	159	295		
Interest expense		(12)	(3)	(153)	(168)		
Fee and commission income		–	4	3	7		
<i>For the six months ended 30 June 2017 (unaudited)</i>							
	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Other related parties</i>	<i>Total</i>			
Income/(expense)							
Interest income		–	315	175	490		
Interest expense		(17)	(7)	(286)	(310)		
Fee and commission income		–	8	5	13		

*(millions of tenge)***27. Related party transactions (continued)****Transactions with other related parties (continued)**

The outstanding balances and the related average effective rates as at 31 December 2016, and related income and expense amounts from transactions with other related parties for the three- and six-month periods ended 30 June 2016, are as follows:

	<i>31 December 2016</i>						<i>Total</i>
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>		
	<i>In million tenge</i>	<i>Average effective interest rate, (%)</i>	<i>In million tenge</i>	<i>Average effective interest rate, (%)</i>	<i>In million tenge</i>	<i>Average effective interest rate, (%)</i>	
Assets							
Amounts due from financial institutions	–	–	5,000	14.0	–	–	5,000
Loans to customers	–	–	818	2.0	540	19.3	1,358
Other assets	–	–	15	–	36	–	51
Liabilities							
Current accounts and deposits of customers	1,775	2.0	1,888	3.1	16,341	3.1	20,004
Amounts due to banks and other financial institutions	–	–	891	–	–	–	891
Contingent liabilities	–	–	–	–	25	–	25
For the three months ended 30 June 2016 (unaudited)							
	<i>Shareholder</i>		<i>Entities under common control</i>		<i>Other related parties</i>		<i>Total</i>
Income/(expense)							
Interest income			–	177	23		200
Interest expense			(13)	(13)	(37)		(63)
Fee and commission income			–	1	1		2
For the six months ended 30 June 2016 (unaudited)							
	<i>Shareholder</i>		<i>Entities under common control</i>		<i>Other related parties</i>		<i>Total</i>
Income/(expense)							
Interest income			–	354	127		481
Interest expense			(24)	(26)	(76)		(126)
Fee and commission income			–	2	2		4

*(millions of tenge)***28. Segment analysis**

The Group has six reporting segments and business lines (“Other” segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial/banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs);
- Retail banking (RB) – includes issuance of loans, attracting deposits, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Heritage – work with loan portfolio of “old” non-performing loans, the loan portfolio sold to collection companies;
- Investing activities – responsible for financing the Group’s operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions;
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Heritage, Investing activities).

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing/placement rates approved by the authorized body of the Bank.

<i>30 June 2017 (unaudited)</i>	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Heritage</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Assets							
Cash and cash equivalents	–	–	–	–	121,387	–	121,387
Amounts due from financial institutions	–	–	–	–	7,528	–	7,528
Trading securities	–	–	–	–	286,393	–	286,393
Available-for-sale securities	–	–	–	–	59,362	–	59,362
Held-to-maturity securities	–	–	–	–	21,359	–	21,359
Loans to customers	131,476	121,929	259,245	134,652	–	–	647,302
Property and equipment	–	–	–	–	–	53,066	53,066
Intangible assets	–	–	–	–	–	3,624	3,624
Derivative financial assets	–	–	–	–	26,967	–	26,967
Deferred tax assets	–	–	–	–	–	7,733	7,733
Other assets	149	2,618	2,291	3,871	862	77,868	87,659
Total assets	131,625	124,547	261,536	138,523	523,858	142,291	1,322,380
Liabilities							
Current accounts and deposits of customers	189,286	119,311	442,702	–	137,060	–	888,359
Amounts due to banks and other financial institutions	10,801	35,738	3,188	20,451	3,729	–	73,907
Debt securities issued	–	–	–	–	127,185	–	127,185
Subordinated debt	–	–	–	–	22,740	–	22,740
Amounts payable under repurchase agreements	–	–	–	–	21,867	–	21,867
Deferred tax liabilities	–	–	–	–	–	122	122
Other liabilities	1	444	184	61	1,441	6,243	8,374
Total liabilities	200,088	155,493	446,074	20,512	314,022	6,365	1,142,554
Equity							
Share capital	–	–	–	–	–	331,584	331,584
Additional paid-in capital	–	–	–	–	–	21,116	21,116
Revaluation reserve for available-for-sale securities	–	–	–	–	–	(184)	(184)
Accumulated losses	–	–	–	–	–	(173,314)	(173,314)
Total equity attributable to shareholders of the Bank	–	–	–	–	–	179,202	179,202

*(millions of tenge)***28. Segment analysis (continued)**

Information on the main reporting segments for the three-month and six-month periods ended 30 June 2017 may be presented as follows:

	<i>For the three months ended 30 June 2017 (unaudited)</i>						
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Heritage</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	2,240	4,296	13,400	2,931	6,705	–	29,572
Interest expense	(2,118)	(1,089)	(7,681)	(151)	(7,879)	–	(18,918)
Net interest income	122	3,207	5,719	2,780	(1,174)	–	10,654
Fee and commission income	196	1,489	1,086	–	25	–	2,796
Fee and commission expense	–	(78)	(503)	(127)	(101)	–	(809)
Net gains from financial instruments at fair value through profit or loss	–	–	–	1,143	883	–	2,026
Net gains/(losses) from foreign currencies	–	–	202	(769)	(1,069)	–	(1,636)
Other operating income, net	(1,069)	(1)	(290)	(133)	(2)	1,770	275
Non-interest income	(873)	1,410	495	114	(264)	1,770	2,652
Impairment losses	(129)	(361)	(1,243)	3,271	2	3	1,543
General and administrative expenses	(137)	(1,772)	(5,406)	(1,277)	(200)	(225)	(9,017)
Non-interest expenses	(266)	(2,133)	(6,649)	1,994	(198)	(222)	(7,474)
Profit before corporate income tax expense	(1,017)	2,484	(435)	4,889	(1,636)	1,547	5,832
Corporate income tax expense	–	–	–	–	–	(2,065)	(2,065)
Profit for the period	(1,017)	2,484	(435)	4,889	(1,636)	(518)	3,767
	<i>For the six months ended 30 June 2017 (unaudited)</i>						
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Heritage</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	4,308	8,411	26,891	6,382	12,490	–	58,482
Interest expense	(3,722)	(2,214)	(14,836)	(300)	(15,629)	–	(36,701)
Net interest income	586	6,197	12,055	6,082	(3,139)	–	21,781
Fee and commission income	367	2,666	2,196	–	46	–	5,275
Fee and commission expense	(1)	(139)	(898)	(252)	(176)	–	(1,466)
Net gains/(losses) from financial instruments at fair value through profit or loss	–	–	–	1,143	(2,850)	–	(1,707)
Net gains/(losses) from foreign currencies	–	–	405	(4,730)	5,872	–	1,547
Other operating income, net	(1,027)	(36)	(545)	(306)	18	2,138	242
Non-interest income	(661)	2,491	1,158	(4,145)	2,910	2,138	3,891
Impairment losses	(29)	(590)	(2,025)	5,241	2	1	2,600
General and administrative expenses	(838)	(3,580)	(10,206)	(2,581)	(340)	(629)	(18,174)
Non-interest expenses	(867)	(4,170)	(12,231)	2,660	(338)	(628)	(15,574)
Profit before corporate income tax expense	(942)	4,518	982	4,597	(567)	1,510	10,098
Corporate income tax expense	–	–	–	–	–	(3,965)	(3,965)
Profit for the period	(942)	4,518	982	4,597	(567)	(2,455)	6,133

*(millions of tenge)***28. Segment analysis (continued)**

<i>31 December 2016</i>	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Heritage</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Assets							
Cash and cash equivalents	–	–	–	–	177,241	–	177,241
Amounts due from financial institutions	–	–	–	–	10,682	–	10,682
Trading securities	–	–	–	–	207,181	–	207,181
Available-for-sale securities	–	–	–	–	19,755	–	19,755
Loans to customers	111,297	109,804	254,599	148,223	–	–	623,923
Property and equipment	–	–	–	–	–	50,698	50,698
Intangible assets	–	–	–	–	–	3,520	3,520
Derivative financial assets	–	–	–	–	30,153	–	30,153
Deferred tax assets	–	–	–	–	–	11,633	11,633
Other assets	10	3,808	4,476	358	282	71,457	80,391
Total assets	111,307	113,612	259,075	148,581	445,294	137,308	1,215,177
Liabilities							
Current accounts and deposits of customers	151,886	96,642	420,612	–	133,695	–	802,835
Amounts due to banks and other financial institutions	8,431	28,442	1,644	20,402	10,233	–	69,152
Debt securities issued	–	–	–	–	134,421	–	134,421
Subordinated debt	–	–	–	–	22,740	–	22,740
Deferred tax liabilities	–	–	–	–	–	81	81
Other liabilities	6	220	464	10	9	7,317	8,026
Total liabilities	160,323	125,304	422,720	20,412	301,098	7,398	1,037,255
Equity							
Share capital	–	–	–	–	–	332,094	332,094
Additional paid-in capital	–	–	–	–	–	21,116	21,116
Revaluation reserve for available-for-sale securities	–	–	–	–	–	(1,036)	(1,036)
Accumulated losses	–	–	–	–	–	(174,797)	(174,797)
Total equity attributable to shareholders of the Bank	–	–	–	–	–	177,377	177,377
For the six months ended 30 June 2016 (unaudited)							
	<i>CB</i>	<i>Small and medium business</i>	<i>RB</i>	<i>Heritage</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	4,860	7,261	21,002	6,223	8,765	–	48,111
Interest expenses	(2,840)	(932)	(9,776)	(304)	(16,144)	–	(29,996)
Net interest income	2,020	6,329	11,226	5,919	(7,379)	–	18,115
Fee and commission income	398	1,608	1,371	6	32	–	3,415
Commission expenses	(2)	(5)	(388)	(146)	(129)	(57)	(727)
Net gains from financial instruments at fair value through profit or loss	–	–	–	–	6,981	–	6,981
Net gains from foreign currencies	–	20	537	–	249	–	806
Net gains from repurchase of debt securities issued	–	–	–	–	248	–	248
Other operating income/(expense), net	(21)	112	(175)	89	50	608	663
Non-interest income	375	1,735	1,345	(51)	7,431	551	11,386
Impairment losses	3,312	(1,450)	(5,976)	(626)	(59)	(20)	(4,819)
General and administrative expenses	(2,278)	(2,459)	(10,565)	(790)	(169)	(639)	(16,900)
Non-interest expense	1,034	(3,909)	(16,541)	(1,416)	(228)	(659)	(21,719)
Profit/(loss) before corporate income tax expense	3,429	4,155	(3,970)	4,452	(176)	(108)	7,782
Corporate income tax expense	–	–	–	–	–	(3,390)	(3,390)
Profit/(loss) for the period	3,429	4,155	(3,970)	4,452	(176)	(3,498)	4,392

For the three-month period ended 30 June 2016, the Group's segment information was not provided and not used by those responsible for making operating decisions and was not included in the management reports. Respectively, information on segment information for the three-month period ended 30 June 2016 was not presented in these interim condensed consolidated statements.

*(millions of tenge)***29. Financial assets and liabilities: fair values and accounting classification****Accounting classification and fair values**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2017:

<i>30 June 2017 (unaudited)</i>	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities for which fair values are disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecogni- sed (loss)/ gain</i>
Cash and cash equivalents	–	121,387	121,387	121,387	–
Amounts due from financial institutions	–	7,528	7,528	7,528	–
Trading securities	286,393	–	286,393	286,393	–
Derivative financial assets	26,967	–	26,967	26,967	–
Loans to customers	–	647,302	647,302	641,868	(5,434)
Available-for-sale securities	59,362	–	59,362	59,362	–
Held-to-maturity securities	–	21,359	21,359	20,927	(432)
Other financial assets	–	9,288	9,288	9,288	–
	372,722	806,864	1,179,586	1,173,720	(5,866)
Current accounts and deposits of customers	–	888,359	888,359	847,026	41,333
Amounts due to banks and other financial institutions	–	73,907	73,907	74,225	(318)
Amounts payable under repurchase agreements	–	21,867	21,867	21,867	–
Debt securities issued	–	127,185	127,185	132,226	(5,041)
Subordinated debt	–	22,740	22,740	22,375	365
Other financial liabilities	–	6,871	6,871	6,871	–
	–	1,140,929	1,140,929	1,104,590	36,339

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2016:

<i>31 December 2016</i>	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities for which fair values are disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecogni- sed (loss)/ gain</i>
Cash and cash equivalents	–	177,241	177,241	177,241	–
Amounts due from financial institutions	–	10,682	10,682	10,682	–
Trading securities	207,181	–	207,181	207,181	–
Derivative financial assets	30,153	–	30,153	30,153	–
Loans to customers	–	623,923	623,923	609,668	(14,255)
Available-for-sale securities	19,755	–	19,755	19,755	–
Other financial assets	–	9,283	9,283	9,283	–
	257,089	821,129	1,078,218	1,063,963	(14,255)
Current accounts and deposits of customers	–	802,835	802,835	733,472	69,363
Amounts due to banks and other financial institutions	–	69,152	69,152	69,746	(594)
Debt securities issued	–	134,421	134,421	135,544	(1,123)
Subordinated debt	–	22,740	22,740	21,627	1,113
Other financial liabilities	–	6,907	6,907	6,907	–
	–	1,036,055	1,036,055	967,296	68,759

(millions of tenge)

29. Financial assets and liabilities: fair value and accounting classification (continued)

Accounting classification and fair value (continued)

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market bid prices or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following assumptions are used by the management to estimate the fair values of financial instruments:

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 5.64% p.a. to 16.73% p.a. (as at 31 December 2016: 5.28% p.a. to 18.63% p.a.) was used;
- To calculate the future cash flows from loans to individuals a discount rate in the range from 12.29% p.a. to 25.94% p.a. (as at 31 December 2016: 12.84% p.a. to 28.40% p.a.) was used.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

*(millions of tenge)***29. Financial assets and liabilities: fair values and accounting classification (continued)****Fair value hierarchy (continued)**

The following table analyses financial instruments carried at fair value as at 30 June 2017, by fair value hierarchy, into which the fair value measurement is categorised:

30 June 2017

(unaudited)	Note	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	13	286,393	–	–	286,393
Available-for-sale securities	16	59,362	–	–	59,362
Derivative financial assets	14	–	–	26,967	26,967
		<u>345,755</u>	<u>–</u>	<u>26,967</u>	<u>372,722</u>

The following table analyses financial instruments carried at fair value as at 31 December 2016, by fair value hierarchy, into which the fair value measurement is categorised: The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

31 December 2016	Note	Level 1	Level 2	Level 3	Total
Assets					
Trading securities	13	207,181	–	–	207,181
Available-for-sale securities	16	19,755	–	–	19,755
Derivative financial assets	14	–	–	30,153	30,153
		<u>226,936</u>	<u>–</u>	<u>30,153</u>	<u>257,089</u>

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for the six-month period ended 30 June 2017:

	Derivative financial assets (unaudited)
At 1 January 2017	30,153
Net unrealized losses from financial instruments at fair value through profit or loss for the period (unaudited)	<u>(3,186)</u>
At 30 June 2017 (unaudited)	<u>26,967</u>

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets which are recorded at fair value for six-month period ended 30 June 2016:

	Derivative financial assets (unaudited)
At 1 January 2016	31,763
Net unrealized losses from financial instruments at fair value through profit or loss (unaudited)	<u>(322)</u>
At 30 June 2016 (unaudited)	<u>31,441</u>

Gains and losses on financial instruments of Level 3 included in comprehensive income for three-month and six-month periods ended 30 June 2017 and 2016 detailed in the above tables are presented in the consolidated statement of comprehensive income comprise:

	For three months ended 30 June			
	2017		2016	
	(unaudited)		(unaudited)	
	Realised gain	Unrealised gains	Realised gains	Unrealised losses
Gains/(losses) recognised in profit or loss	–	602	–	(837)

*(millions of tenge)***29. Financial assets and liabilities: fair values and accounting classification (continued)****Fair value hierarchy (continued)**

	<i>For six months ended 30 June</i>			
	<i>2017</i>		<i>2016</i>	
	<i>(unaudited)</i>		<i>(unaudited)</i>	
	<i>Realised gain</i>	<i>Unrealised losses</i>	<i>Realised gains</i>	<i>Unrealised losses</i>
(Losses)/gains recognised in profit or loss	–	(3,186)	–	(322)

Gains/(losses) transactions operations with derivative financial instruments are recognised in profit or loss of the interim condensed consolidated statement of comprehensive income as “Net gains/(losses) from financial instruments at fair value through profit or loss”.

Impact of changes in significant non-observable inputs on evaluation of financial instruments of Level 3 of fair value hierarchy

The table below presents quantitative information on significant non-observable inputs used for valuation of financial instruments of Level 3 of fair value hierarchy:

<i>30 June 2017</i> <i>(unaudited)</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Non-observable inputs</i>	<i>Range</i> <i>(weighted average value)</i>
Derivative financial instruments				
Currency swaptions	26,967	Discounted cash flows	Adjustment of credit spread	2.13%-2.20% (2.16%)
<i>31 December 2016</i>	<i>Carrying amount</i>	<i>Valuation techniques</i>	<i>Non-observable inputs</i>	<i>Range</i> <i>(weighted average value)</i>
Derivative financial instruments				
Currency swaptions	30,153	Discounted cash flows	Adjustment of credit spread	2.13%-2.20% (2.16%)

As at 30 June 2017, Level 3 includes unquoted derivative financial assets comprised of currency swaptions under the agreements with the NBRK, the fair value of which was determined through discounting of future cash flows taking into account forward foreign exchange rates at offshore rates in tenge and adjustment for credit risk of the Republic of Kazakhstan. The curve of offshore rates in tenge was drawn based on swap curve in US dollars and forward tenge exchange rates to US dollar. Management of the Bank made an assumption that the NBRK will not use the option for early execution of the transaction.

The following table presents impact of possible alternative assumptions on valuation of fair value of Level 3 instruments:

	<i>30 June 2017</i> <i>(unaudited)</i>		<i>31 December 2016</i>	
	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>
Financial assets				
Derivative financial instruments	26,967	26,967-26,968	30,153	30,147-30,155

*(millions of tenge)***29. Financial assets and liabilities: fair values and accounting classification (continued)****Fair value hierarchy (continued)***Impact of changes in significant non-observable inputs on evaluation of financial instruments of Level 3 of fair value hierarchy (continued)*

In order to determine possible alternative assumptions, the Bank adjusted key non-observable inputs for models as follows:

For currency swaptions the Bank adjusted the probability of default and loss given default assumptions used to calculate the credit value adjustment.

The following table analyses financial instruments not measured at fair value as at 30 June 2017, by fair value hierarchy, into which the fair value measurement is categorised:

<i>30 June 2017 (unaudited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
Assets					
Cash and cash equivalents	–	121,387	–	121,387	121,387
Amounts due from financial institutions	–	7,528	–	7,528	7,528
Loans to customers	–	–	641,868	641,868	647,302
Held-to-maturity securities	20,927	–	–	20,927	21,359
Other financial assets	–	9,288	–	9,288	9,288
Liabilities					
Current accounts and deposits of customers	–	847,026	–	847,026	888,359
Amounts due to banks and other financial institutions	–	74,225	–	74,225	73,907
Amounts payable under repurchase agreements	–	21,867	–	21,867	21,867
Debt securities issued	132,226	–	–	132,226	127,185
Subordinated debt	22,375	–	–	22,375	22,740
Other financial liabilities	–	6,871	–	6,871	6,871

The following table analyses financial instruments not measured at fair value as at 31 December 2016, by fair value hierarchy, into which the fair value measurement is categorised:

<i>31 December 2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
Assets					
Cash and cash equivalents	–	177,241	–	177,241	177,241
Amounts due from financial institutions	–	10,682	–	10,682	10,682
Loans to customers	–	–	609,668	609,668	623,923
Other financial assets	–	9,283	–	9,283	9,283
Liabilities					
Current accounts and deposits of customers	–	733,472	–	733,472	802,835
Amounts due to banks and other financial institutions	–	69,746	–	69,746	69,152
Debt securities issued	135,544	–	–	135,544	134,421
Subordinated debt	21,627	–	–	21,627	22,740
Other financial liabilities	–	6,907	–	6,907	6,907