JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the three months ended 31 March 2019

JSC Halyk Bank

Table of Contents

JSC Halyk Bank

Statement of Management's Responsibilities
for the Preparation and Approval
of the Interim Condensed Consolidated Financial Information
for the Three Months ended 31 March 2019 (Unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2019, the results of its operations, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2019 was authorized for issue by the Management Board on 13 May 2019.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
13 May 2019	13 May 2019
Almaty, Kazakhstan	Almaty, Kazakhstan

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (the "Group") as at 31 March 2019 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting.* Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte LLP

13 May 2019
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim Condensed Consolidated Statement of Financial Position
as at 31 March 2019 (unaudited)
(millions of Kazakhstani Tenge)

	Notes	31 March 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	5	1,493,106	1,755,138
Obligatory reserves		110,129	115,741
Financial assets at fair value through profit or loss	6	180,208	186,836
Amounts due from credit institutions	7	49,585	55,035
Financial assets at fair value through other comprehensive income	8	1,979,581	1,765,933
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,071,193	1,055,907
Precious metals		3,416	3,496
Investments in associate		22,415	20,437
Loans to customers	10, 31	3,420,802	3,481,079
Investment property		58,515	58,868
Commercial property		67,100	70,318
Assets held-for-sale		56,362	56,129
Current income tax assets		38,806	34,478
Deferred income tax assets		207	323
Property and equipment		130,097	130,987
Intangible assets		9,011	8,435
Goodwill		3,085	3,085
Insurance assets	11	78,282	65,651
Other assets	12	92,788	91,148
TOTAL ASSETS		**8,864,688**	**8,959,024**
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	6,385,098	6,526,930
Amounts due to credit institutions	14	167,909	168,379
Financial liabilities at fair value through profit or loss	6	9,086	7,022
Debt securities issued	15	827,804	900,791
Current income tax liability		7,304	126
Deferred tax liability		62,438	66,188
Provisions	16	2,881	2,546
Insurance liabilities	11	199,550	182,441
Other liabilities	18	52,835	38,955
Total liabilities		**7,714,905**	**7,893,378**
EQUITY			
Share capital	19	209,027	209,027
Share premium reserve		1,839	1,839
Treasury shares		(111,425)	(111,441)
Retained earnings and other reserves		1,050,336	966,215
		1,149,777	1,065,640
Non-controlling interest		6	6
Total equity		**1,149,783**	**1,065,646**
TOTAL LIABILITIES AND EQUITY		**8,864,688**	**8,959,024**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 May 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 May 2019
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Profit or Loss
for the Three Months ended 31 March 2019 (unaudited)
(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)*
CONTINUING OPERATIONS			
Interest income calculated using effective interest method	21, 31	174,406	162,555
Other interest income	21	1,777	1,178
Interest expense	21, 31	(83,574)	(87,617)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		92,609	76,116
(Credit loss expense)/recoveries of credit loss expense	16	(9,071)	1,139
NET INTEREST INCOME		83,538	77,255
Fee and commission income	22	26,973	26,374
Fee and commission expense	22	(11,520)	(9,680)
Fees and commissions, net		15,453	16,694
Net loss from financial assets and liabilities at fair value through profit or loss	23	(15,646)	(44,324)
Net realised gain from financial assets at fair value through other comprehensive income		2,151	1,778
Net gain on foreign exchange operations	24	17,198	55,425
Insurance underwriting income	25	15,577	14,653
Share in profit of associate		1,674	-
Other income		7,553	7,313
OTHER NON-INTEREST INCOME		28,507	34,845
Operating expenses	26	(30,136)	(33,894)
Loss from impairment of non-financial assets		-	(1,803)
(Other credit loss expense)/recoveries of other credit loss expense	16	(305)	1,355
Insurance claims incurred, net of reinsurance	25	(14,734)	(14,361)
NON-INTEREST EXPENSES		(45,175)	(48,703)
INCOME BEFORE INCOME TAX EXPENSE		82,323	80,091
Income tax expense	17	(7,821)	(10,159)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**74,502**	**69,932**
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations		-	2,585
NET PROFIT		**74,502**	**72,517**
Attributable to:			
Non-controlling interest		-	10,464
Common shareholders		74,502	62,053
		74,502	**72,517**
EARNINGS PER SHARE	27		
(in Kazakhstani Tenge)			
Basic and diluted earnings per share		6.38	5.65
Basic and diluted earnings per share from continuing operations		6.38	5.41

*As reclassified, see note 4b.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 May 2019
Almaty, Kazakhstan

Pavel A. Cheusssov
Chief Accountant

13 May 2019
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three Months ended 31 March 2019 (unaudited)
(millions of Kazakhstani Tenge)

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Net profit	74,502	72,517
Other comprehensive income:		
Items that will not to be subsequently reclassified to profit or loss:		
Loss on revaluation of property (net of tax – KZT Nil)	(52)	(25)
Gain on revaluation of equity financial assets at fair value through other comprehensive income	6	-
Items that may be subsequently reclassified to profit or loss:		
Gain/(loss) on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	12,292	(4,864)
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(2,151)	(1,778)
Share of other comprehensive income of associate	304	-
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(761)	(300)
Other comprehensive income/(loss) for the period	9,638	(6,967)
Total comprehensive income for the period	**84,140**	**65,550**
Attributable to:		
Non-controlling interest	-	10,096
Common shareholders	84,140	55,454
	84,140	**65,550**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 May 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 May 2019
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Three months ended 31 March 2019 (unaudited)
(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen-sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2018	**209,027**	**1,839**	**(111,441)**	**9,657**	**(4,804)**	**20,970**	**940,392**	**1,065,640**	**6**	**1,065,646**
Net income	-	-	-	-	-	-	74,502	74,502	-	74,502
Other comprehensive (loss)/income	-	-	-	(761)	10,451	(52)	-	9,638	-	9,638
Total comprehensive (loss)/income	**-**	**-**	**-**	**(761)**	**10,451**	**(52)**	**74,502**	**84,140**	**-**	**84,140**
Treasury shares purchased	-	-	(45)	-	-	-	-	(45)	-	(45)
Treasury shares sold	-	-	61	-	-	-	-	61	-	61
Insurance bonuses to the insured	-	-	-	-	-	-	(19)	(19)	-	(19)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(150)	150	-	-	-
31 March 2019 (unaudited)	**209,027**	**1,839**	**(111,425)**	**8,896**	**5,647**	**20,768**	**1,015,025**	**1,149,777**	**6**	**1,149,783**

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Three Months ended 31 March 2019 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen-sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2017	**143,695**	**1,839**	**(104,234)**	**6,570**	**13,008**	**15,470**	**785,668**	**862,016**	**72,441**	**934,457**
Impact of adopting IFRS 9	-	-	-	-	(9,539)	-	(33,467)	(43,006)	(11,857)	(54,863)
Restated opening balance under IFRS 9	**143,695**	**1,839**	**(104,234)**	**6,570**	**3,469**	**15,470**	**752,201**	**819,010**	**60,584**	**879,594**
Net income	-	-	-	-	-	-	62,053	62,053	10,464	72,517
Other comprehensive loss	-	-	-	(300)	(6,274)	(25)	-	(6,599)	(368)	(6,967)
Total comprehensive (loss)/income	**-**	**-**	**-**	**(300)**	**(6,274)**	**(25)**	**62,053**	**55,454**	**10,096**	**65,550**
Treasury shares purchased	-	-	(352)	-	-	-	-	(352)	-	(352)
Treasury shares sold	-	63	139	-	-	-	-	202	-	202
Effect from exchange of preferred shares of JSC Kazkommertsbank	-	-	-	-	-	-	(570)	(570)	6,886	6,316
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(189)	189	-	-	-
31 March 2018 (unaudited)	**143,695**	**1,902**	**(104,447)**	**6,270**	**(2,805)**	**15,256**	**813,873**	**873,744**	**77,566**	**951,310**

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

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 May 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 May 2019
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the Three Months ended 31 March 2019 (unaudited)

(millions of Kazakhstani Tenge)

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	1,502	993
Interest received from cash equivalents and amounts due from credit institutions	10,100	9,352
Interest received on financial assets at fair value through other comprehensive income	11,887	7,440
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	12,045	23,368
Interest received from loans to customers	98,618	97,929
Interest paid on due to customers	(58,171)	(64,207)
Interest paid on due to credit institutions	(621)	(1,034)
Interest paid on debt securities issued	(20,338)	(19,473)
Fee and commission received	26,989	24,072
Fee and commission paid	(8,813)	(9,781)
Insurance underwriting income received	6,332	12,848
Ceded insurance share paid	(6,686)	(3,949)
Receipts from derivative operations	2,602	351
Other income received	7,446	7,313
Operating expenses paid	(20,592)	(22,877)
Insurance claims paid	(11,719)	(11,545)
Cash flows from operating activities before changes in net operating assets	50,581	50,800
Changes in operating assets and liabilities:		
Decrease/(increase) in operating assets:		
Obligatory reserves	5,612	2,250
Financial assets at fair value through profit or loss	(11,233)	32,118
Amounts due from credit institutions	4,278	(50,298)
Precious metals	115	110
Loans to customers	51,130	(71,380)
Assets held-for-sale	2,682	8,034
Insurance assets	(1,658)	797
Other assets	(5,476)	4,179
(Decrease)/increase in operating liabilities:		
Amounts due to customers	(90,435)	(213,823)
Amounts due to credit institutions	126	(75,438)
Financial liabilities at fair value through profit or loss	2,060	8,123
Insurance liabilities	19,052	9,877
Other liabilities	4,180	28,765
Net cash inflow/(outflow) from operating activities before income tax	31,014	(265,886)
Income tax paid	(8,605)	(18,982)
Net cash inflow/(outflow) from operating activities	22,409	(284,868)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(3,140)	(1,541)
Proceeds on sale of property and equipment	9	667
Proceeds on sale of investment property	727	-
Proceeds on sale of commercial property	4,942	658
Proceeds on sale of financial assets at fair value through other comprehensive income	13,653	1,737,273
Purchase of financial assets at fair value through other comprehensive income	(202,418)	(1,935,352)
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(2,473)	(9,585)
Proceeds on sale of debt securities at amortized cost, net of allowance for expected credit losses	346	14,104
Capital expenditures on commercial property	(27)	-
Net cash outflow from investing activities	(188,381)	(193,776)

(millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		61	202
Purchase of treasury shares		(45)	(352)
Repurchase of shares by subsidiary		-	(6,984)
Redemption and repayment of debt securities issued	15	(75,691)	(23,126)
Repayment of the lease liabilities		(269)	n/a
Net cash outflow from financing activities		(75,944)	(30,260)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(20,116)	(24,143)
Net change in cash and cash equivalents		(262,032)	(533,047)
CASH AND CASH EQUIVALENTS, beginning of the period	**5**	**1,755,138**	**1,923,284**
CASH AND CASH EQUIVALENTS, end of the period	**5**	**1,493,106**	**1,390,237**

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

13 May 2019
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

13 May 2019
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

1. Principal activities

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan and Georgia, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the National Bank of the Republic of Kazakhstan ("NBRK") on 8 November 2016. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

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

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

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

As at 31 March 2019, the Bank operated through its head office in Almaty and its 23 regional branches, 121 sub-regional offices and 501 cash settlement units (31 December 2018 – 23, 121 and 503, respectively) located throughout Kazakhstan. The address of the Bank's registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 March 2019, the number of the Group's full-time equivalent employees was 16,073 (31 December 2018 – 16,131).

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2019 was authorized for issue by the Management Board on 13 May 2019.

Legal proceedings

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

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During three months ended 31 March 2019, oil prices decreased approximately by 5% compared to three months ended 31 March 2018, from 67 USD/bbl to 64 USD/bbl on average, which led to GDP growth deceleration to 3.8% yoy from 4.1% yoy a year earlier.

(millions of Kazakhstani Tenge)

As at 31 March 2019, the base rate set by the NBRK was 9.25% ± 1% (9.5% ± 1% as of 31 March 2018). Due to relatively high cost of funding during the three months 2019, the demand for new loans continued to be relatively low, while KZT liquidity in the banking system demonstrated excess levels. Short-term notes and deposits of the NBRK remain the key instrument to withdraw excess tenge liquidity from the system.

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

Ownership

As at 31 March 2019 and 31 December 2018, the Group's shares were represented by common shares only.

As at 31 March 2019 and 31 December 2018, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 March 2019 (unaudited)

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	75.0%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,837,925,200	15.7%
Other	367,679,377	3.2%
Total shares in circulation (on consolidated basis)	**11,679,861,665**	**100%**

31 December 2018

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	8,756,202,348	75.0%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	1,840,105,600	15.8%
Other	365,393,741	3.1%
Total shares in circulation (on consolidated basis)	**11,679,756,429**	**100%**

2. Basis of presentation

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	31 March 2019 (unaudited)	31 December 2018		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	Insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking
CJSC Kazkommerstbank Tajikistan	100	100	Tajikistan	Banking
JSC Kazkommertsbank Securities	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA KKB-1	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ-1	100	100	Kazakhstan	Management of doubtful and loss assets
JSC QPayments	100	100	Kazakhstan	Payment card processing and other related services

No significant changes in the Group structure occurred during the three months ended 31 March 2019 in comparison with the structure as at 31 December 2018.

3. Significant accounting policies

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of a new standard - IFRS 16 "Leases" ("IFRS 16") effective as at 1 January 2019.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective. The application of other new and revised IFRSs effective for periods beginning on or 1 January 2019 has had no significant impact on the Group's interim condensed consolidated financial information.

The Group has initially adopted IFRS 16 "Leases" from 1 January 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use asset representing its rights to use underlying assets and liabilities representing its obligations to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases" ("IAS 17"). Accordingly, there are no changes to the Groups accounting policy for lessor accounting.

The Group has applied IFRS 16 using the modified retrospective approach, which means the adoption from 1 January 2019 with no restatement of comparative periods - i.e. comparative period is presented as previously reported under IAS 17 and related interpretations. The details of the changes in the accounting policies, nature and the impact that is relevant to the Group's operations are described below.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on lessee accounting

Operating leases

IFRS 16 changed how the Group accounted for leases previously classified as operating leases under IAS 17, which were off balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group:

a) Recognised right of use assets and lease liabilities in the interim condensed consolidated statement of financial position within "Other assets" and "Other liabilities", respectively. The lease liabilities were at transition initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application - 1 January 2019. The right-of-use assets were initially recognised at the value of the corresponding lease liability, as the Group used the simplified approach for contracts previously classified as operating lease;
b) Recognised depreciation of right of use assets as depreciation expense within "Operating expenses" and interest on lease liabilities within "Interest expense" in the interim condensed consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the interim condensed consolidated cash flow statement.

Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36 "Impairment of Assets". This replaced the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight line basis as permitted by IFRS 16.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's interim condensed consolidated financial statements.

Impact on lessor accounting

Where the Group acts as a lessor, the requirements remain largely unchanged and the distinction between finance and operating leases is maintained. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Summary of impact upon adoption of IFRS 16

As at 1 January 2019, an assessment indicates that the Group recognised a right of use asset of KZT 3,077 million and a corresponding lease liability of KZT 3,077 million in respect of all these leases.

Based on an analysis of the Group's finance leases as at 1 January 2019 and on the basis of the facts and circumstances that exist at that date, the management of the Group has assessed that the impact of the change did not have an impact on the amounts recognised in the Group's interim condensed consolidated financial statements.

(millions of Kazakhstani Tenge)

4. 4a. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2018.

4b. Reclassifications

Certain reclassifications have been made to the interim condensed consolidated statement of profit or loss for the three months ended 31 March 2018 to conform to the presentation for the three months ended 31 March 2019, as current period presentation provides better view of the financial performance of the Group. Reclassification from other income to recoveries of credit loss expense for KZT 6,336 million relates to recoveries of credit loss expense on purchased or originated ("POCI") loans to customers. Reclassification from other income to interest income calculated using effective interest method for KZT 1,728 million relates to interest income on other financial assets. Reclassification from operating expenses to other income for KZT 387 million relates to expenses from realisation of inventory.

	As previously reported	Reclassification amount	As reclassified
	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2018 (unaudited)	Three months ended 31 March 2018 (unaudited)
Interest income calculated using effective interest method	160,827	1,728	162,555
(Credit loss expense)/recoveries of credit loss expense	(5,197)	6,336	1,139
Operating expenses	(34,281)	387	(33,894)
Other income	15,764	(8,451)	7,313

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2019 (unaudited)	31 December 2018
Cash on hand	174,533	196,266
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	226,095	120,096
Short-term deposits with OECD based banks	201,505	248,038
Overnight deposits with OECD based banks	130,014	2,396
Correspondent accounts with NBRK	412,545	935,757
Short-term deposits with NBRK	173,617	153,975
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	105,258	65,036
Correspondent accounts with non-OECD based banks	11,948	10,745
Short-term deposits with non-OECD based banks	57,591	22,657
Overnight deposits with non-OECD based banks	-	172
Total cash and cash equivalents	**1,493,106**	**1,755,138**

As at 31 March 2019 and 31 December 2018, cash and cash equivalents allowance for expected credit losses comprised KZT 11 million and KZT 9 million, respectively (Note 16).

(millions of Kazakhstani Tenge)

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

	31 March 2019 (unaudited)		31 December 2018	
	KZT	**Foreign currencies**	**KZT**	**Foreign currencies**
Short-term deposits with OECD based banks	-	2.5%-2.7%	-	2.0%-2.8%
Overnight deposits with OECD based banks	-	2.0%-2.8%	-	1.5%
Short-term deposits with NBRK	8.3%-8.9%	6.8%-7.7%	8.3%	6.8%-7.7%
Short-term deposits with Kazakhstan banks	8.0%-13.0%	2.3%-12.5%	8.3%-13.5%	3.0%-10.0%
Short-term deposits with non-OECD based banks	-	1.8%-2.5%	-	0.2%-7.5%
Overnight deposits with non-OECD based banks	-	-	7.0%	-

The fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019 (unaudited)		31 December 2018	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Treasury bills of the Ministry of Finance of Kazakhstan	76,120	79,327	19,154	19,695
Equity securities	9,848	12,573	4,503	7,240
Bonds of international financial organisations	8,782	8,977	101	102
NBRK notes	6,503	6,701	19,816	20,422
Treasury bills of the Ministry of Finance of Russian Federation	4,005	4,233	21,462	22,755
	105,258	**111,811**	**65,036**	**70,214**

As at 31 March 2019 and 31 December 2018, maturities of loans under reverse repurchase agreements are less than one month.

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

Financial assets at fair value through profit or loss comprise:

	31 March 2019 (unaudited)	31 December 2018
Financial assets held for trading:		
Derivative financial instruments	81,441	97,853
Corporate bonds	36,612	29,987
Equity securities of Kazakhstan corporations	11,595	14,800
Treasury bills of the Ministry of Finance of Kazakhstan	11,415	11,759
Bonds of Kazakhstan banks	10,245	11,453
Bonds of foreign organisations	9,536	6,293
Treasury bills of the USA	6,647	-
Bonds of JSC Development Bank of Kazakhstan	6,459	6,491
Equity securities of foreign organisations	4,262	3,738
Notes of NBRK	1,996	4,462
Total financial assets at fair value through profit or loss	**180,208**	**186,836**

(millions of Kazakhstani Tenge)

Financial liabilities at fair value through profit or loss comprise:

	31 March 2019 (unaudited)	31 December 2018
Financial liabilities held for trading:		
Derivative financial instruments	9,086	7,022

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

	31 March 2019 (unaudited)	31 December 2018
Corporate bonds	10.9%	11.2%
Treasury bills of the Ministry of Finance of Kazakhstan	9.1%	7.7%
Bonds of Kazakhstan banks	11.1%	10.8%
Bonds of foreign organisations	8.9%	7.9%
Treasury bills of the USA	2.5%	-
Bonds of JSC Development Bank of Kazakhstan	8.9%	9.2%
Notes of NBRK	9.0%	7.3%

Derivative financial instruments comprise:

	31 March 2019 (unaudited)			31 December 2018		
	Notional	Fair value		Notional	Fair value	
	amount	Asset	Liability	amount	Asset	Liability
Foreign currency contracts:						
Swaps	1,252,528	81,423	9,012	1,221,331	97,709	6,998
Spots	56,520	18	74	27,266	144	16
Forwards	-	-	-	326	-	8
		81,441	**9,086**		**97,853**	**7,022**

On 3 July 2018, JSC Kazkommertsbank ("KKB") and NBRK closed a one-year cross-currency swap deal existing as at 31 December 2017 and at the same concluded another one-year cross-currency swap deal for the notional amount of KZT 699,000 million. The purpose of the deal is the placement of excess foreign currency liquidity.

As at 31 March 2019 and 31 December 2018, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

(millions of Kazakhstani Tenge)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2019 (unaudited)	31 December 2018
Term deposits	38,696	37,365
Deposits pledged as collateral for derivative financial instruments	11,061	9,512
Loans to credit institutions	117	8,390
	49,874	55,267
Less – Allowance for expected credit losses (Note 16)	(289)	(232)
Total amounts due from credit institutions	**49,585**	**55,035**

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

	31 March 2019 (unaudited)		31 December 2018	
	Interest rate,%	Maturity, year	Interest rate,%	Maturity, year
Term deposits	2.7%-14.0%	2023	2.7%-14.0%	2023
Deposits pledged as collateral for derivative financial instruments	0.2%-3.0%	2046	0.2%-3.0%	2046
Loans to credit institutions	4.0%	2019	2.0%-7.5%	2019

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 March 2019 (unaudited)	31 December 2018
Notes of NBRK	926,336	756,652
Treasury bills of the Ministry of Finance of Kazakhstan	392,306	408,508
Treasury bills of the USA	321,427	249,142
Corporate bonds	180,033	202,923
Bonds of JSC Development Bank of Kazakhstan	77,844	75,190
Bonds of foreign organisations	53,007	44,283
Bonds of Kazakhstan banks	17,265	18,023
Treasury bills of Hungary	8,855	8,757
	1,977,073	**1,763,478**

Equity securities comprise:

	31 March 2019 (unaudited)	31 December 2018
Equity securities of Kazakhstan corporations	2,508	2,455
	2,508	**2,455**
Total financial assets at fair value through other comprehensive income	**1,979,581**	**1,765,933**

As at 31 March 2019 and 31 December 2018, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,780 million and KZT 2,576 million, respectively (Note 16).

(millions of Kazakhstani Tenge)

As at 31 March 2019 and 31 December 2018, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 2,538 million and KZT 4,714 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 31 March 2019 and 31 December 2018 mature before 4 April 2019 and 8 January 2019, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income securities are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	31 March 2019 (unaudited)		31 December 2018	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Notes of NBRK	8.8%	2019-2020	8.7%	2019
Treasury bills of the Ministry of Finance of Kazakhstan	5.1%	2019-2045	6.0%	2019-2045
Treasury bills of the USA	2.4%	2019	1.8%	2019
Corporate bonds	7.9%	2019-2047	7.9%	2019-2047
Bonds of JSC Development Bank of Kazakhstan	5.7%	2020-2032	6.1%	2020-2032
Bonds of foreign organisations	7.1%	2019-2047	5.5%	2019-2047
Bonds of Kazakhstan banks	9.9%	2019-2024	9.8%	2019-2024
Treasury bills of Hungary	3.2%	2023	3.2%	2023

9. Debt securities at amortized cost, net of allowances for expected credit losses

Debt securities at amortized cost, net of allowances for expected credit losses comprise:

	31 March 2019 (unaudited)	**31 December 2018**
Treasury bills of the Ministry of Finance of Kazakhstan	1,056,188	1,044,939
Treasury bills of the Kyrgyz Republic	3,308	2,847
Bonds of foreign organisations	2,856	2,640
Notes of National Bank of Tajikistan	2,600	1,119
Notes of National Bank of Georgia	2,116	2,434
Corporate bonds	1,956	1,082
Notes of National Bank of Kyrgyz Republic	1,253	-
Treasury bills of the Russian Federation	916	846
Total debt securities at amortized cost, net of allowances for expected credit losses	**1,071,193**	**1,055,907**

As at 31 March 2019 and 31 December 2018, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 450 million and KZT 441 million, respectively (Note 16).

Interest rates and maturities of debt securities at amortized cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

(millions of Kazakhstani Tenge)

	31 March 2019 (unaudited)		31 December 2018	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027
Treasury bills of the Kyrgyz Republic	5.6%	2019-2021	5.6%	2019-2021
Bonds of foreign organisations	9.1%	2020-2026	9.2%	2020-2026
Notes of National Bank of Tajikistan	14.6%	2019	14.2%	2019
Notes of National Bank of Georgia	10.8%	2019-2025	10.7%	2019-2025
Corporate bonds	9.7%	2022	9.7%	2022
Notes of National Bank of Kyrgyz Republic	1.9%	2019	-	-
Treasury bills of the Russian Federation	8.1%	2021	7.8%	2021

10. Loans to customers

Loans to customers comprise:

	31 March 2019 (unaudited)	**31 December 2018**
Originated loans to customers	3,813,210	3,869,005
Overdrafts	21,156	21,867
	3,834,366	**3,890,872**
Stage 1	2,933,447	2,984,812
Stage 2	118,926	142,664
Stage 3	690,118	671,406
POCI	91,875	91,990
Total	**3,834,366**	**3,890,872**
Less – Allowance for expected credit losses (Note 16)	(413,564)	(409,793)
Total loans to customers	**3,420,802**	**3,481,079**

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 31 March 2019, the average interest rate on loans was 12.4% per annum (as at 31 December 2018 – 13.3% per annum).

As at 31 March 2019, the Group’s loan concentration to the ten largest borrowers was KZT 711,114 million, which comprised 19% of the Group’s total gross loan portfolio (as at 31 December 2018 – KZT 703,598 million, 19%) and 66% of the Group’s total equity (as at 31 December 2018 – 66%).

As at 31 March 2019, the allowance for expected credit losses against these loans amounted to KZT 43,461 million (as at 31 December 2018 – KZT 42,044 million).

(millions of Kazakhstani Tenge)

As at 31 March 2019 and 31 December 2018, loans were extended to customers operating in the following sectors:

	31 March 2019 (unaudited)	%	31 December 2018	%
Retail loans:				
- consumer loans	706,252	18%	715,362	18%
- mortgage loans	269,496	7%	273,469	7%
	975,748		**988,831**	
Services	663,633	17%	650,353	17%
Wholesale trade	419,645	11%	406,567	12%
Real estate	306,943	8%	321,306	8%
Construction	222,076	6%	221,797	6%
Retail trade	220,112	6%	218,503	6%
Oil and gas	173,706	5%	153,837	3%
Metallurgy	163,706	4%	188,411	5%
Transportation	147,655	4%	151,569	3%
Agriculture	122,007	3%	129,864	3%
Mining	75,277	2%	73,017	2%
Financial services	63,601	2%	62,124	2%
Energy	56,881	1%	70,483	2%
Food industry	45,000	1%	47,053	1%
Hotel industry	34,248	1%	32,845	1%
Machinery	33,109	1%	33,990	1%
Chemical industry	31,427	1%	30,603	1%
Communication	20,613	1%	40,080	1%
Light industry	16,044	0%	12,994	0%
Other	42,935	1%	56,645	2%
	3,834,366	**100%**	**3,890,872**	**100%**

As at 31 March 2019, accrued interest on loans comprised KZT 202,411 million (as at 31 December 2018 – KZT 200,539 million).

As at 31 March 2019 and 31 December 2018, loans to customers included loans of KZT 366,120 million and KZT 417,619 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

11. Insurance assets and liabilities

Insurance assets comprised the following:

	31 March 2019 (unaudited)	31 December 2018
Reinsurance amounts	38,557	34,270
Unearned reinsurance premium	23,911	17,224
	62,468	51,494
Premiums receivable	15,814	14,157
Total insurance assets	**78,282**	**65,651**

(millions of Kazakhstani Tenge)

Insurance liabilities comprised the following:

	31 March 2019 (unaudited)	31 December 2018
Reserves for insurance claims	142,104	134,802
Gross unearned insurance premium reserve	42,197	32,952
	184,301	167,754
Payables to reinsurers and agents	15,249	14,687
Total insurance liabilities	**199,550**	**182,441**

12. Other assets

Other assets comprise:

	31 March 2019 (unaudited)	31 December 2018
Other financial assets:		
Debtors on banking activities	55,945	61,321
Debtors on non-banking activities	14,258	12,380
Financial lease receivables	13,935	13,193
Accrued commission income	5,100	5,116
Right-of-use assets	3,601	-
Others	59	33
	92,898	92,043
Less – Allowance for expected credit losses (Note 16)	(17,696)	(16,325)
	75,202	75,718
Other non-financial assets:		
Prepayments for investment property	5,261	6,317
Advances for taxes other than income tax	4,841	3,164
Inventory	2,072	2,332
Other investments	682	683
Prepayments for property and equipment	670	193
Others	4,060	2,741
	17,586	15,430
Total other assets	**92,788**	**91,148**

13. Amounts due to customers

Amounts due to customers include the following:

	31 March 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Term deposits:		
Individuals	2,843,352	2,918,070
Legal entities	1,289,374	1,374,592
	4,132,726	4,292,662
Current accounts:		
Legal entities	1,814,066	1,756,748
Individuals	438,306	477,520
	2,252,372	2,234,268
Total amounts due to customers	**6,385,098**	**6,526,930**

(millions of Kazakhstani Tenge)

As at 31 March 2019, the Group's ten largest groups of related customers accounted for approximately 27% of the total amounts due to customers (31 December 2018 – 27%), where each group of related customers represents customers related to each other within that group.

As at 31 March 2019, amounts due to customers included amounts held as collateral of KZT 64,584 million (31 December 2018 – KZT 67,515 million).

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

An analysis of customer accounts by sectors is as follows:

	31 March 2019 (unaudited)	Share	31 December 2018	Share
Individuals and entrepreneurs	3,281,658	51%	3,395,590	52%
Oil and gas	588,234	9%	669,608	10%
Financial sector	437,224	7%	425,352	7%
Other consumer services	367,471	6%	322,783	5%
Construction	274,325	4%	275,939	4%
Healthcare and social services	239,574	4%	211,571	3%
Government	201,359	3%	101,789	2%
Wholesale trade	196,331	3%	254,518	4%
Transportation	138,553	2%	179,522	3%
Metallurgy	104,458	2%	67,572	1%
Insurance and pension funds activity	82,371	1%	88,377	1%
Energy	64,769	1%	64,731	1%
Education	50,729	1%	47,449	1%
Communication	48,119	1%	55,201	1%
Other	309,923	5%	366,928	6%
	6,385,098	**100%**	**6,526,930**	**100%**

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2019 (unaudited)	31 December 2018
Recorded at amortized cost:		
Loans from JSC Entrepreneurship Development Fund DAMU	86,000	86,390
Loans from JSC Development Bank of Kazakhstan	38,172	38,491
Correspondent accounts	20,380	23,990
Loans from other financial institutions	9,396	2,813
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8,197	10,964
Loans from JSC National Managing Holding KazAgro	2,933	3,107
Loans and deposits from non-OECD based banks	2,576	2,329
Loans and deposits from OECD based banks	255	295
Total amounts due to credit institutions	**167,909**	**168,379**

As at 31 March 2019, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 85,306 million (31 December 2018 – KZT 85,956 million) at 1.0%-5.5% interest rate maturing in 2019-2035 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

(millions of Kazakhstani Tenge)

As at 31 March 2019, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 30,921 million (31 December 2018 – KZT 31,171 million) at 2.0% interest rate maturing in 2034-2037 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 7,175 million (31 December 2018 – KZT 7,175 million) at 1.0% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

As at 31 March 2019, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 2,929 million (31 December 2018 - KZT 3,103 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

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

	31 March 2019 (unaudited)		31 December 2018	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-5.5%	2019-2035	1.0%-5.5%	2019-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2034-2037	1.0%-7.9%	2019-2037
Loans from other financial institutions	2.0%-10.0%	2019-2026	4.0%-10.0%	2023-2026
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.2%-10.0%	2019	8.0%-9.0%	2019
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022
Loans and deposits from non-OECD based banks	1.0%-8.0%	2019-2024	1.0%-8.0%	2019-2023
Loans and deposits from OECD based banks	4.5%	2019	4.2%	2019

Fair value of assets pledged (Note 8) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 March 2019 and 31 December 2018 are as follows:

	31 March 2019 (unaudited)		31 December 2018	
	Fair value of collateral	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**
Treasury bills of the Ministry of Finance of Kazakhstan	2,538	2,936	465	442
NBRK Notes	-	-	4,249	4,124
	2,538	**2,936**	**4,714**	**4,566**

(millions of Kazakhstani Tenge)

Details of transferred financial assets that are not derecognized in their entirety as at 31 March 2019 and 31 December 2018 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

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

	Financial assets at fair value through other comprehen-sive income (Note 8)
As at 31 March 2019 (unaudited):	
Carrying amount of transferred assets	2,538
Carrying amount of associated liabilities	2,936
As at 31 December 2018:	
Carrying amount of transferred assets	4,714
Carrying amount of associated liabilities	4,566

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

The Group's management believes that as at 31 March 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

15. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2019 (unaudited)	**31 December 2018**
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	82,147	79,241
KZT denominated bonds, indexed to inflation	3,614	3,492
Total subordinated debt securities outstanding	**85,761**	**82,733**
Unsubordinated debt securities issued:		
KZT denominated bonds	384,296	389,509
USD denominated bonds	357,747	428,549
Total unsubordinated debt securities outstanding	**742,043**	**818,058**
Total debt securities issued	**827,804**	**900,791**

On 1 March 2019, the Bank made a partial prepayment on its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 200,000,000 together with the interest accrued, but unpaid.

(millions of Kazakhstani Tenge)

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

	31 March 2019 (unaudited)		31 December 2018	
	Coupon rate, %	**Maturity, year**	**Coupon rate, %**	**Maturity, year**
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
KZT denominated bonds, indexed to inflation	1%+Inflation rate	2019	1%+Inflation rate	2019
Unsubordinated debt securities issued:				
KZT denominated bonds	7.5%-8.8%	2019-2025	7.5%-8.8%	2019-2025
USD denominated bonds	5.5%-12.0%	2021-2022	5.5%-12.0%	2021-2022

As at 31 March 2019, the amount of accrued interest on debt securities issued was KZT 17,217 million (as at 31 December 2018 – KZT 20,624 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 March 2019 and 31 December 2018, the Group was in compliance with the covenants of the agreements that the Group has with the notes' trustees and holders.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's interim condensed consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2019	**Financing cash flows**	**Foreign exchange movement**	**Changes in amortised cost**	**31 March 2019 (unaudited)**
Debt securities issued	900,791	(75,691)	(3,256)	5,960	827,804

			Non-cash changes		
	1 January 2018	**Financing cash flows**	**Foreign exchange movement**	**Changes in amortised cost**	**31 December 2018**
Debt securities issued	962,396	(167,463)	77,462	28,396	900,791

(millions of Kazakhstani Tenge)

16. Allowances for expected credit losses

The movements in accumulated allowances for expected credit losses of financial assets were as follows:

	Loans to customers (Note 10)				Other assets (Note 12)			Financial assets at fair value through other comprehensive income* (Note 8,9)			Cash and cash equiva-lents (Note 5)	Amounts due from credit institu-tions (Note 7)	
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 1**	**TOTAL**
1 January 2019	**(43,516)**	**(28,716)**	**(322,917)**	**(14,644)**	**(1,046)**	**(1,696)**	**(13,583)**	**(1,101)**	**(21)**	**(1,881)**	**(9)**	**(232)**	**(429,362)**
Transfer to Stage 1	(750)	128	622	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	1,067	(1,375)	308	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	9,167	1,274	(10,441)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters	4,051	1,216	(7,559)	(2,897)	1	1	(2,597)	(56)	19	(166)	(1)	(60)	(8,048)
New originations or purchases of financial assets	(14,483)	-	-	-	-	-	-	(76)	-	-	-	-	(14,559)
Derecognition of financial assets	2,640	583	9,131	1,132	-	-	-	50	-	-	-	-	13,536
Recoveries of allowances on previously written-off assets**	-	-	(5,671)	(1,394)	-	-	-	-	-	-	-	-	(7,065)
Write-offs	-	-	6,554	-	1	-	2,263	-	-	-	-	-	8,818
Foreign exchange differences and other movements	569	165	2,117	75	(53)	(406)	(581)	2	-	-	(1)	3	1,890
31 March 2019 (unaudited)	**(41,255)**	**(26,725)**	**(327,856)**	**(17,728)**	**(1,097)**	**(2,101)**	**(14,498)**	**(1,181)**	**(2)**	**(2,047)**	**(11)**	**(289)**	**(434,790)**
Total				**(413,564)**			**(17,696)**			**(3,230)**	**(11)**	**(289)**	**(434,790)**

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)			**Other assets (Note 12)**			**Financial assets at fair value through other comprehensive income* (Note 8,9)**			**Cash and cash equiva-lents (Note 5)**	**Amounts due from credit institu tions (Note 7)**	
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 1**	**TOTAL**
1 January 2018	**(34,207)**	**(31,973)**	**(288,989)**	**(952)**	**(3,056)**	**(3,738)**	**(1,223)**	**(4)**	**(1,480)**	**(10)**	**(334)**	**(365,966)**
Transfer to Stage 1	(301)	117	184	(2)	2	-	-	-	-	-	-	-
Transfer to Stage 2	599	(994)	395	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	12,899	484	(13,383)	-	-	-	-	-	-	-	-	-
Changes in risk parameters	(1,713)	(1,920)	(28,473)	95	2,002	(5,110)	(149)	-	(68)	(2)	(191)	(35,529)
New originations or purchases of financial assets	(13,167)	-	-	-	-	-	-	-	-	-	-	(13,167)
Derecognition of financial assets	1,845	24	47,966	-	-	-	-	-	-	-	-	49,835
Recoveries of allowances on previously written-off assets**	-	-	(6,336)	-	-	-	-	-	-	-	-	(6,336)
Write-offs	-	-	1,619	1	39	612	12	-	6	-	-	2,289
Foreign exchange differences and other movements	268	933	15,742	20	(332)	(139)	230	-	69	(2)	(10)	16,779
31 March 2018 (unaudited)	**(33,777)**	**(33,329)**	**(271,275)**	**(838)**	**(1,345)**	**(8,375)**	**(1,130)**	**(4)**	**(1,473)**	**(14)**	**(535)**	**(352,095)**
Total			**(338,381)**			**(10,558)**			**(2,607)**	**(14)**	**(535)**	**(352,095)**

*Including debt securities at amortized cost (Note 9).
**Recoveries of allowances on KKB loans before the acquisition date by the Group.

As at 31 March 2018, allowances for expected credit losses on POCI loans to customers were included into Stage 3.

(millions of Kazakhstani Tenge)

During the three months ended 31 March 2019 and 2018, the Group has written off loans of KZT 6,554 million and KZT 1,619 million, respectively, which allow the writing off of loans without being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

Provisions represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

	Three months ended 31 March 2019 (unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	38	(38)	-
Recoveries/(additional provisions recognized)	144	85	(534)	(305)
Foreign exchange differences	(1)	(1)	(28)	(30)
At the end of the period	**(9)**	**(939)**	**(1,933)**	**(2,881)**

	Three months ended 31 March 2018 (unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
At the beginning of the period	(129)	(13,539)	(4,783)	(18,451)
Transfer to Stage 1	(108)	108	-	-
Transfer to Stage 2	1	(1)	-	-
Transfer to Stage 3	-	11,598	(11,598)	-
(Additional provisions recognized)/recoveries	(26)	409	972	1,355
Foreign exchange differences	3	21	95	119
At the end of the period	**(259)**	**(1,404)**	**(15,314)**	**(16,977)**

17. Taxation

The income tax expense comprises:

	Three months ended 31 March 2019 (unaudited)	**Three months ended 31 March 2018 (unaudited)**
Current tax charge	11,455	15,123
Deferred tax benefit relating to origination and reversal of temporary differences	(3,634)	(4,964)
Total income tax expense	**7,821**	**10,159**

The Group's effective income tax rate for the three months ended 31 March 2019 was 9.5% (for the three months ended 31 March 2018: 12.7%). The difference between the effective and theoretical income tax rates (20%) for the three months ended 31 March 2019 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities. The Group has offset deferred tax assets and liabilities on the interim condensed consolidated statement of financial position where a right of offset existed.

(millions of Kazakhstani Tenge)

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

18. Other liabilities

Other liabilities comprise:

	31 March 2019 (unaudited)	31 December 2018
Other financial liabilities:		
Salary payable	20,531	17,256
Liabilities on other payments	4,389	952
Creditors on non-banking activities	3,996	3,942
Creditors on bank activities	3,796	1,617
Lease liabilities	3,680	-
Payable for general and administrative expenses	2,949	1,183
Settlements on card transactions	1,731	1,119
Others	710	943
	41,782	**27,012**
Other non-financial liabilities:		
Taxes payable other than income tax	4,805	5,218
Other prepayments received	4,393	3,767
Amounts due to original investors on commercial property	1,855	2,958
	11,053	11,943
Total other liabilities	**52,835**	**38,955**

19. Equity

Authorized, issued and fully paid number of shares as at 31 March 2019 and 31 December 2018, were as follows:

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 March 2019 (unaudited)					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,767,683,117)	11,679,861,665
31 December 2018					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,767,788,353)	11,679,756,429

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2017	10,993,816,819	39,461
Purchases of treasury shares	(601,093)	(5,585)
Sale of treasury shares	1,361,175	155
31 March 2018 (unaudited)	**10,994,576,901**	**34,031**
31 December 2018	**11,679,756,429**	**97,586**
Purchases of treasury shares	(411,843)	(45)
Sale of treasury shares	517,079	61
31 March 2019 (unaudited)	**11,679,861,665**	**97,602**

(millions of Kazakhstani Tenge)

Common shares

As at 31 March 2019 and 31 December 2018, share capital comprised KZT 209,027 million. As at 31 March 2019, the Group held 1,767,683,117 shares of the Group's common shares as treasury shares at KZT 111,425 million (31 December 2018 – 1,767,788,353 at KZT 111,441 million).

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

20. Commitments and contingencies

Financial commitments and contingencies

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

	31 March 2019 (unaudited)	31 December 2018
Guarantees issued	453,916	415,531
Commercial letters of credit	70,393	66,502
Commitments to extend credit	49,611	49,022
Financial commitments and contingencies	573,920	531,055
Less: cash collateral against letters of credit	(37,995)	(31,015)
Less: provisions (Note 16)	(2,881)	(2,546)
Financial commitments and contingencies, net	**533,044**	**497,494**

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 31 March 2019, the ten largest guarantees accounted for 67% of the Group's total financial guarantees (as at 31 December 2018 – 67%) and represented 26% of the Group's total equity (as at 31 December 2018 – 26%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 March 2019, the ten largest unsecured letters of credit accounted for 47% of the Group's total commercial letters of credit (31 December 2018 – 55%) and represented 3% of the Group's total equity (31 December 2018 – 3%).

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

Capital commitments

As at 31 March 2019, the Group had commitments for capital expenditures in respect of construction in progress for KZT 648 million (31 December 2018 – KZT 736 million).

(millions of Kazakhstani Tenge)

21. Net interest income

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Interest income:		
Loans to customers	107,762	100,958
Financial assets at fair value through other comprehensive income	31,325	27,114
Debt securities at amortized cost, net of allowance for expected credit losses	23,423	23,651
Amounts due from credit institutions and cash and cash equivalents	9,975	9,104
Financial assets at fair value through profit or loss	1,777	1,178
Other financial assets	1,921	1,728
Total interest income	**176,183**	**163,733**
Interest expense:		
Amounts due to customers	(56,377)	(62,715)
Debt securities issued	(26,298)	(24,024)
Amounts due to credit institutions	(830)	(878)
Other financial liabilities	(69)	-
Total interest expense	**(83,574)**	**(87,617)**
Net interest income before credit loss expense	**92,609**	**76,116**

The total interest income calculated using the EIR method for financial assets at FVTOCI is KZT 31,325 million for the three months ended 31 March 2019 (three months ended 31 March 2018: KZT 27,114 million) and for financial assets measured at amortised cost is KZT 143,081 million during the three months ended 31 March 2019 (three months ended 31 March 2018: (KZT 135,441 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost is KZT 83,574 million during the three months ended 31 March 2019 (three months ended 31 March 2018: KZT 87,617 million).

22. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Payment cards operations	13,457	12,830
Bank transfers – settlements	3,485	4,095
Cash operations	2,486	1,948
Letters of credit and guarantees issued	2,205	1,567
Servicing customers' pension payments	1,997	1,955
Bank transfers – salary projects	1,638	1,813
Maintenance of customer accounts	720	936
Other	985	1,230
Total fee and commission income	**26,973**	**26,374**

(millions of Kazakhstani Tenge)

Fee and commission expense comprises the following:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Payment cards	(7,305)	(4,769)
Deposit insurance	(2,992)	(4,048)
Bank transfers	(289)	(156)
Cash operations	(190)	(169)
Commission paid to collectors	(67)	(97)
Other	(677)	(441)
Total fee and commission expense	**(11,520)**	**(9,680)**

23. Net loss from financial assets and liabilities at fair value through profit or loss

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

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Net loss on operations with financial assets and liabilities classified as held for trading:		
Unrealized net loss on derivative and trading operations*	(18,248)	(44,675)
Realized net gain/(loss) on derivative operations	1,710	(1,538)
Realized net gain on trading operations	892	1,889
Total net loss on operations with financial assets and liabilities classified as held for trading	**(15,646)**	**(44,324)**

*For the three months ended 31 March 2018, the loss occurred as a result of the strengthening of the tenge against the US dollar and relates to the revaluation of the cross-currency swap between KKB and NBRK (Note 6).

24. Net gain on foreign exchange operations

Net gain on foreign exchange operations comprises:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Translation differences, net	9,387	48,496
Dealing, net	7,811	6,929
Total net gain on foreign exchange operations	**17,198**	**55,425**

(millions of Kazakhstani Tenge)

25. Insurance underwriting income

Insurance underwriting income/(expense) comprises:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Insurance premiums written, gross	32,298	28,755
Ceded reinsurance share	(14,300)	(10,232)
Change in unearned insurance premiums, net	(2,421)	(3,870)
Total insurance underwriting income	**15,577**	**14,653**
Commissions to agents	(6,095)	(5,907)
Insurance payments	(5,350)	(5,356)
Insurance reserves expenses	(3,289)	(3,098)
Total insurance claims incurred, net of reinsurance	**(14,734)**	**(14,361)**
Net insurance income	**843**	**292**

26. Operating expenses

Operating expenses comprises:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Salaries and other employee benefits	17,737	19,604
Depreciation and amortization expenses	2,669	2,784
Taxes other than income tax	1,665	1,461
Information services	993	779
Utilities expenses	982	815
Security	969	1,521
Insurance agents fees	911	634
Communication	862	1,028
Rent	725	1,284
Repairs and maintenance	679	1,118
Stationery and office supplies	313	339
Advertisement	253	412
Business trip expenses	216	229
Transportation	175	218
Professional services	123	561
Other	864	1,107
Total operating expenses	**30,136**	**33,894**

27. Earnings per share

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

(millions of Kazakhstani Tenge)

The following table presents basic and diluted earnings per share:

	Three months ended 31 March 2019 (unaudited)	Three months ended 31 March 2018 (unaudited)
Basic and diluted earnings per share		
Net profit for the period attributable to equity holders of the parent	74,502	62,053
Earnings attributable to common shareholders	74,502	62,053
Earnings for the period from continuing operations	74,502	59,468
Earnings for the period from discontinuing operations	-	2,585
Weighted average number of common shares for the purposes of basic and diluted earnings per share	11,679,713,929	10,991,461,695
Basic and diluted earnings per share (in Tenge)	**6.38**	**5.65**
Basic and diluted earnings per share from continuing operations (in Tenge)	**6.38**	**5.41**
Basic and diluted earnings per share from discontinued operations (in Tenge)	**-**	**0.24**

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 31 March 2019 and 31 December 2018, is disclosed as follows:

			31 March 2019 (unaudited)
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	11,679,861,665	1,140,772	97.67
		1,140,772	

			31 December 2018
Class of shares	**Outstanding shares**	**Equity (as calculated per KASE rules)**	**Book value of one share, in KZT**
Common	11,679,756,429	1,057,211	90.52
		1,057,211	

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

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

28. Financial risk management

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

- Credit risk;
- Liquidity risk; and
- Market/currency risk

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

Credit risk

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

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

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

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

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

Liquidity Risk

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

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

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

(millions of Kazakhstani Tenge)

	31 March 2019 (unaudited)					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	1,493,106	-	-	-	-	1,493,106
Obligatory reserves	70,737	6,818	23,244	8,722	608	110,129
Financial assets at fair value through profit or loss	99,336	-	76,913	3,959	-	180,208
Amounts due from credit institutions	12,754	338	32,904	3,342	247	49,585
Financial assets at fair value through other comprehensive income	673,490	371,970	374,864	221,512	337,745	1,979,581
Debt securities at amortized cost, net of allowance for expected credit losses	2,226	3,857	57,315	506,350	501,445	1,071,193
Loans to customers	247,338	367,824	1,968,758	674,167	162,715	3,420,802
Other financial assets	37,047	2,490	2,931	32,362	372	75,202
	2,636,034	**753,297**	**2,536,929**	**1,450,414**	**1,003,132**	**8,379,806**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,119,677	413,533	1,588,700	1,007,377	255,811	6,385,098
Amounts due to credit institutions	28,507	895	9,862	15,173	113,472	167,909
Financial liabilities at fair value through profit or loss	1,116	-	6,532	1,438	-	9,086
Debt securities issued	3,982	5,641	71,280	445,772	301,129	827,804
Lease liabilities	3,446	-	-	234	-	3,680
Other financial liabilities	31,759	3,710	1,904	719	10	38,102
	3,188,487	**423,779**	**1,678,278**	**1,470,713**	**670,422**	**7,431,679**
Net position	**(552,453)**	**329,518**	**858,651**	**(20,299)**	**332,710**	
Accumulated gap	**(552,453)**	**(222,935)**	**635,716**	**615,417**	**948,127**	

(millions of Kazakhstani Tenge)

						31 December 2018
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	1,755,138	-	-	-	-	1,755,138
Obligatory reserves	72,066	7,396	21,505	11,296	3,478	115,741
Financial assets at fair value through profit or loss	89,418	-	91,252	6,166	-	186,836
Amounts due from credit institutions	21,195	4,187	26,766	2,398	489	55,035
Financial assets at fair value through other comprehensive income	678,181	270,338	173,678	313,840	329,896	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	11,814	1,298	36,170	504,704	501,921	1,055,907
Loans to customers	243,746	355,008	2,026,943	677,369	178,013	3,481,079
Other financial assets	40,610	4,244	1,324	15,250	14,290	75,718
	2,912,168	**642,471**	**2,377,638**	**1,531,023**	**1,028,087**	**8,491,387**
FINANCIAL LIABILITIES:						
Amounts due to customers	3,889,116	376,688	1,419,536	589,345	252,245	6,526,930
Amounts due to credit institutions	35,645	372	3,913	15,196	113,253	168,379
Financial liabilities at fair value through profit or loss	2,473	16	4,330	203	-	7,022
Debt securities issued	13,751	3,785	66,768	493,465	323,022	900,791
Other financial liabilities	21,005	2,475	2,654	864	14	27,012
	3,961,990	**383,336**	**1,497,201**	**1,099,073**	**688,534**	**7,630,134**
Net position	**(1,049,822)**	**259,135**	**880,437**	**431,950**	**339,553**	
Accumulated gap	**(1,049,822)**	**(790,687)**	**89,750**	**521,700**	**861,253**	

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

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

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

Currency Risk

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

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

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

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

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

(millions of Kazakhstani Tenge)

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

							31 March 2019 (unaudited)
	USD	**EURO**	**RUR**	**Other**	**Total foreign currencies**	**KZT**	**TOTAL**
FINANCIAL ASSETS:							
Cash and cash equivalents	779,356	114,899	32,723	227,963	1,154,941	338,165	1,493,106
Obligatory reserves	54,495	3,208	1,239	2,017	60,959	49,170	110,129
Financial assets at fair value through profit or loss	16,601	96	4,825	231	21,753	158,455	180,208
Amounts due from credit institutions	14,591	145	124	-	14,860	34,725	49,585
Financial assets at fair value through other comprehensive income	663,139	31,214	4,477	-	698,830	1,280,751	1,979,581
Debt securities at amortized cost, net of allowance for expected credit losses	367	-	5,728	8,910	15,005	1,056,188	1,071,193
Loans to customers	1,030,612	7,890	28,361	25,566	1,092,429	2,328,373	3,420,802
Other financial assets	3,262	1,021	748	1,253	6,284	68,918	75,202
	2,562,423	**158,473**	**78,225**	**265,940**	**3,065,061**	**5,314,745**	**8,379,806**
FINANCIAL LIABILITIES:							
Amounts due to customers	3,200,486	130,457	63,809	31,970	3,426,722	2,958,376	6,385,098
Amounts due to credit institutions	19,118	2,242	130	1,858	23,348	144,561	167,909
Financial liabilities at fair value through profit or loss	-	-	848	-	848	8,238	9,086
Debt securities issued	335,217	-	348	-	335,565	492,239	827,804
Other financial liabilities	1,166	810	517	1,566	4,059	37,723	41,782
	3,555,987	**133,509**	**65,652**	**35,394**	**3,790,542**	**3,641,137**	**7,431,679**
Net position – on balance	**(993,564)**	**24,964**	**12,573**	**230,546**	**(725,481)**	**1,673,608**	**948,127**
Net position – off-balance	**1,017,635**	**(25,514)**	**(7,198)**	**(212,696)**	**772,227**	**(689,751)**	
Net position	**24,071**	**(550)**	**5,375**	**17,850**	**46,746**	**983,857**	

(millions of Kazakhstani Tenge)

					31 December 2018		
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,031,248	136,251	35,083	216,857	1,419,439	335,699	1,755,138
Obligatory reserves	58,565	2,663	3,999	1,879	67,106	48,635	115,741
Financial assets at fair value through profit or loss	12,582	-	4,396	2,633	19,611	167,225	186,836
Amounts due from credit institutions	13,128	2,775	6,632	-	22,535	32,500	55,035
Financial assets at fair value through other comprehensive income	598,380	26,555	4,098	-	629,033	1,136,900	1,765,933
Debt securities at amortised cost, net of allowance for expected credit losses	375	-	4,567	6,026	10,968	1,044,939	1,055,907
Loans to customers	1,083,801	8,538	23,729	24,630	1,140,698	2,340,381	3,481,079
Other financial assets	7,371	805	502	763	9,441	66,277	75,718
	2,805,450	**177,587**	**83,006**	**252,788**	**3,318,831**	**5,172,556**	**8,491,387**
FINANCIAL LIABILITIES:							
Amounts due to customers	3,388,503	131,505	66,443	32,970	3,619,421	2,907,509	6,526,930
Amounts due to credit institutions	26,892	1,628	555	1,101	30,176	138,203	168,379
Financial liabilities at fair value through profit or loss	-	-	209	-	209	6,813	7,022
Debt securities issued	405,537	-	352	-	405,889	494,902	900,791
Other financial liabilities	1,389	501	449	811	3,150	23,862	27,012
	3,822,321	**133,634**	**68,008**	**34,882**	**4,058,845**	**3,571,289**	**7,630,134**
Net position – on balance	**(1,016,871)**	**43,953**	**14,998**	**217,906**	**(740,014)**	**1,601,267**	**861,253**
Net position – off-balance	**1,058,084**	**(45,694)**	**(16,437)**	**(197,675)**	**798,278**	**(700,861)**	
Net position	**41,213**	**(1,741)**	**(1,439)**	**20,231**	**58,264**	**900,406**	

29. Segment analysis

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

No significant changes in the Group segments occurred during the three months ended 31 March 2019 in comparison with the year ended 31 December 2018.

There were no transactions between business segments during the three months ended 31 March 2019 and 2018.

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 March 2019 and 2018 and for the three months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 March 2019 and for the three months then ended (unaudited)						
External revenues	64,665	75,251	22,843	58,628	25,922	247,309
Total revenues	**64,665**	**75,251**	**22,843**	**58,628**	**25,922**	**247,309**
Total revenues comprise:						
- Interest income	43,054	61,888	14,792	56,449	-	176,183
- Fee and commission income, including:	18,270	3,176	5,377	-	150	26,973
Payment cards operations	12,806	102	514	-	35	13,457
Bank transfers - settlements	1,261	616	1,589	-	19	3,485
Cash operations	404	419	1,657	-	6	2,486
Letters of credit and guarantees issued	3	1,833	358	-	11	2,205
Servicing customers' pension payments	1,997	-	-	-	-	1,997
Bank transfers – salary projects	1,638	-	-	-	-	1,638
Maintenance of customer accounts	50	33	637	-	-	720
Other	111	173	622	-	79	985
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,151	-	2,151
- Net gain on foreign exchange operations	3,341	10,187	2,674	28	968	17,198
- Share in profit of associate	-	-	-	-	1,674	1,674
- Insurance underwriting income and other income	-	-	-	-	23,130	23,130
Total revenues	**64,665**	**75,251**	**22,843**	**58,628**	**25,922**	**247,309**
- Interest expense	(35,690)	(18,796)	(2,726)	(26,298)	(64)	(83,574)
- Credit loss expense	(4,590)	(301)	(2,601)	(230)	(1,349)	(9,071)
- Fee and commission expense	(10,173)	(815)	(105)	(38)	(389)	(11,520)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(15,532)	-	(114)	-	(15,646)
- Operating expenses	(17,087)	(1,214)	(2,829)	(177)	(8,829)	(30,136)
- Recoveries of other credit loss expense/(other credit loss expense)	9	(371)	79	-	(22)	(305)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(14,734)	(14,734)
Total expenses	**(67,531)**	**(37,029)**	**(8,182)**	**(26,857)**	**(25,387)**	**(164,986)**
Segment result	**(2,866)**	**38,222**	**14,661**	**31,771**	**535**	**82,323**
Income before income tax expense						82,323
Income tax expense					(7,821)	(7,821)
Net profit						**74,502**
Total segment assets	834,127	3,734,280	501,246	3,093,746	701,289	8,864,688
Total segment liabilities	3,318,178	2,472,888	816,921	830,961	275,957	7,714,905
Other segment items:						
Capital expenditures						(3,140)
Depreciation and amortization						(2,669)
Investments in associate						22,415

(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the three months ended 31 March 2018 (unaudited)						
External revenues	86,633	74,664	24,281	63,039	23,153	271,770
Total revenues	**86,633**	**74,664**	**24,281**	**63,039**	**23,153**	**271,770**
Total revenues comprise:						
- Interest income	39,408	56,075	14,578	51,944	1,728	163,733
- (Credit loss expense)/recovery of credit loss expense	(5,085)	13,630	(1,463)	227	(6,170)	1,139
- Fee and commission income	18,418	2,491	4,439	3	1,023	26,374
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	1,778	-	1,778
- Net gain on foreign exchange operations	33,892	2,407	6,077	9,088	3,961	55,425
- Insurance underwriting income and other income	-	-	-	-	21,966	21,966
- Recoveries of other credit loss expense/ (other credit loss expense)	-	61	650	(1)	645	1,355
Total revenues	**86,633**	**74,664**	**24,281**	**63,039**	**23,153**	**271,770**
- Interest expense	(39,483)	(21,327)	(2,783)	(24,024)	-	(87,617)
- Fee and commission expense	(8,353)	(413)	(190)	-	(724)	(9,680)
- Operating expenses	(18,497)	(1,010)	(4,784)	(1,736)	(7,867)	(33,894)
- Net loss from financial assets and liabilities at fair value through profit or loss	(32,652)	(2,090)	(3,664)	(5,838)	(80)	(44,324)
- Loss from impairment of non-financial assets	-	-	-	-	(1,803)	(1,803)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(14,361)	(14,361)
Total expenses	**(98,985)**	**(24,840)**	**(11,421)**	**(31,598)**	**(24,835)**	**(191,679)**
Segment result	**(12,352)**	**49,824**	**12,860**	**31,441**	**(1,682)**	**80,091**
Income before income tax expense						80,091
Income tax expense					(10,159)	(10,159)
Profit from discontinued operation					2,585	2,585
Net profit						**72,517**
As at 31 December 2018:						
Total segment assets	852,537	3,886,875	570,144	2,910,825	738,643	8,959,024
Total segment liabilities	3,342,535	2,409,386	907,574	900,790	333,093	7,893,378
Other segment items:						
Capital expenditures					(1,541)	(1,541)
Depreciation and amortization					(2,784)	(2,784)
Investments in associate						20,437

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 March 2019 and 31 December 2018 and for the three months ended 31 March 2019 and 2018.

	Kazakhstan	OECD	Non-OECD	Total
31 March 2019 (unaudited)				
Total assets	7,655,237	974,166	235,285	8,864,688
31 December 2018				
Total assets	8,060,035	686,565	212,424	8,959,024
Three months ended 31 March 2019 (unaudited)				
External revenues	232,228	9,279	5,802	247,309
Capital expenditures	(3,140)	-	-	(3,140)
Three months ended 31 March 2018 (unaudited)				
External revenues	263,915	4,964	2,891	271,770
Capital expenditures	(1,541)	-	-	(1,541)

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

30. Fair values of financial instruments

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

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

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

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

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

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

The tables below summarizes the Group’s financial assets and liabilities held at fair value by valuation methodology at 31 March 2019 and 31 December 2018, before any allowances for expected credit losses.

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value 31 March 2019 (unaudited)	Fair value 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 6)	98,600	88,825	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	167	158	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	646	2,582	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	80,795	95,271	Level 3	Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	**180,208**	**186,836**				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	9,086	7,022	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting year).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	**9,086**	**7,022**				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	1,977,278	1,763,715	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	2,250	2,165	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 8)	53	53	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	**1,979,581**	**1,765,933**				

(millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the three months ended 31 March 2019 and 31 December 2018.

	Derivative financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehen-sive income Unquoted equity securities (Level 3)	Derivative financial liabilities at fair value through profit or loss (Level 3)
31 December 2017	39,576	18	492
(Loss)/gain to profit or loss	(38,224)	-	6,079
31 March 2018 (unaudited)	**1,352**	**18**	**6,571**
31 December 2018	**95,271**	**53**	**-**
Loss to profit or loss	(14,476)	-	-
31 March 2019 (unaudited)	**80,795**	**53**	**-**

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

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

Amounts due from and to credit institutions

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

Loans to customers

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

Amounts due to customers

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

Debt securities issued

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

(millions of Kazakhstani Tenge)

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

	31 March 2019 (unaudited)		31 December 2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Amounts due from credit institutions	49,585	49,520	55,035	54,966
Loans to customers	3,420,802	3,254,727	3,481,079	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	1,071,193	1,089,092	1,055,907	1,088,278
Financial liabilities				
Amounts due to customers	6,385,098	6,544,731	6,526,930	6,692,308
Amounts due to credit institutions	167,909	187,259	168,379	153,758
Debt securities issued	827,804	826,592	900,791	968,989

				31 March 2019 (unaudited)
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	49,520	-	49,520
Loans to customers	-	-	3,254,727	3,254,727
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,089,092	-	1,089,092
Financial liabilities				
Amounts due to customers	-	6,544,731	-	6,544,731
Amounts due to credit institutions	-	187,259	-	187,259
Debt securities issued	826,592	-	-	826,592

				31 December 2018
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	54,966	-	54,966
Loans to customers	-	-	3,474,191	3,474,191
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,088,278	-	1,088,278
Financial liabilities				
Amounts due to customers	-	6,692,308	-	6,692,308
Amounts due to credit institutions	-	153,758	-	153,758
Debt securities issued	968,989	-	-	968,989

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

31. Related party transactions

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

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

(millions of Kazakhstani Tenge)

The Group had the following balances outstanding as at 31 March 2019 and 31 December 2018 with related parties:

	31 March 2019 (unaudited)		31 December 2018	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers before allowance for expected credit losses	1,516	3,834,366	1,746	3,890,872
- entities with joint control or significant influence over the entity	1,408		1,640	
- key management personnel of the entity or its parent	89		86	
- other related parties	19		20	
Allowance for expected credit losses	(8)	(413,564)	(18)	(409,793)
- entities with joint control or significant influence over the entity	(5)		(16)	
- key management personnel of the entity or its parent	(2)		(1)	
- other related parties	(1)		(1)	
Amounts due to customers	201,679	6,385,098	252,136	6,526,930
- the parent	65,839		69,882	
- entities with joint control or significant influence over the entity	12,060		9,480	
- key management personnel of the entity or its parent	9,844		11,076	
- other related parties	113,936		161,698	

The following amounts resulted from transactions with related parties and have been reflected in the interim condensed consolidated statement of profit or loss for the three months ended 31 March 2019 and 2018:

	Three months ended 31 March 2019 (unaudited)		Three months ended 31 March 2018 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income calculated using effective interest method	26	174,406	74	162,555
- entities with joint control or significant influence over the entity	22		28	
- key management personnel of the entity or its parent	3		4	
- other related parties	1		42	
Other interest income	-	1,777	-	1,178
Interest expense	(1,061)	(83,574)	(714)	(87,617)
- the Parent	(243)		(190)	
- entities with joint control or significant influence over the entity	(10)		(1)	
- key management personnel of the entity or its Parent	(35)		(50)	
- other related parties	(773)		(473)	

(millions of Kazakhstani Tenge)

	Three months ended 31 March 2019 (unaudited)		Three months ended 31 March 2018 (unaudited)	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	195	17,737	100	19,604
- short-term employee benefits	195		100	

32. Subsequent events

On 1 April 2019, the Group placed senior unsecured coupon bonds on the territory of the Astana International Financial Center with a nominal value of USD 100,000,000 for a period of 36 months and at a rate of 3% per annum.

On 18 April 2019, the Bank's Annual General Shareholders' Meeting decided to pay dividends on common shares of KZT 10.78 per one common share. The approved date for payment of dividends on common shares is 3 June 2019.

On 19 April 2019, the Group placed senior unsecured coupon bonds on the territory of the Astana International Financial Center with a nominal value of USD 80,500,000 for a period of 36 months and at a rate of 3% per annum.

On 26 April 2019, the Bank redeemed subordinated bonds issued in April 2009, with an initial placement amount of KZT 3,530 million. The repayment was made from the Bank’s own funds.