KAZAKHSTAN MORTGAGE COMPANY

2018

ANNUAL REPORT

MORTGAGE ORGANIZATION KAZAKHSTAN MORTGAGE COMPANY JSC

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Galymzhan Tadzhiyakov

Chairman of the Board of Directors
Mortgage Organization Kazakhstan Mortgage Company JSC

Dear Clients and Partners!

In 2018 Mortgage Organization Kazakhstan Mortgage Company JSC achieved the set goals in all area of its strategic development, and by doing so once again provided the paramount role of an efficient financial operator channeling the implementation of state policies aimed at providing affordable housing to the population of the Republic of Kazakhstan.

The company is nearing the completion of its work to implement Nurly Zher State Housing Construction Program pertaining to providing housing on rent-to-own basis to those on the waiting lists compiled by local executive authorities. Since the inception of the Program over 1 million square meters of such rental housing was constructed and provided to 18 thousand families throughout Kazakhstan.

Construction of the rental housing, engineering and finishing works involved Kazakhstani producers and service providers, which in turn gave an impetus to creation of new jobs and growth of the construction sector in many cities and towns. Besides, the Program became a driver for

infrastructure development in new urban areas and helped identify new opportunities for co-operation between citizens and local municipal authorities.

I would like to specifically mention the financial achievements of the Company that testify to the esprit de corps and high professionalism of its management team. In 2018 the Company's mortgage portfolio reached 43.1 bln tenge. The Company's total income made 18.7 bln tenge. And its net profit made 4.6 bln tenge which is 25% more than in 2017. The taxes paid into the state budget were around 600 mln tenge. Dividends paid on common shares in 2018 reached 1.1 bln tenge.

In 2019 Kazakhstan Mortgage Company will continue following the Development Strategy to be implemented till the year 2023 and working towards accomplishing the important social task of improving the Kazakhstani population's housing conditions.

I would like to thank the Company's team for their work, partners for our joint projects and clients for their trust!

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Adil Mukhamedzhanov

Chairman of the Management Board
Mortgage Organization Kazakhstan Mortgage Company JSC

Dear shareholders, clients and partners!

We would like to bring to your attention the 2018 annual report of Mortgage Organization Kazakhstan Mortgage Company JSC, a subsidiary of Baiterek National Managing Holding.

MO Kazakhstan Mortgage Company JSC is a stable and dynamically developing financial institution that operates in 16 regions of Kazakhstan. Over 19 years of our work we have participated in implementation of seven state-run and sector-wide programs, and have made a number of important steps in our development.

In 2018 the Company entered the international arena as a new member of the Asian Secondary Mortgage Market Association (ASMMA), and was elected plenipotentiary representative of the countries of Central Asia and Caucuses in the International Secondary Mortgage Market Association. For us it is a great opportunity to exchange experience and study new mechanisms to improve our mortgage lending terms and consequently raise the quality of life of our country's citizens.

Improving the availability of affordable housing and stimulating the mortgage market development through implementing housing programs and ensuring broad coverage of economically active population of our country remain the main tasks of Ka-

zakhstan Mortgage Company.

Implementation of Nurly Zher State Housing Construction Program was one of the important directions of the Company's activities in 2018. During the reporting period the Company put into commission 97.46 thousand square meters of rental housing which constitute 1,734 apartments. Starting from the year 2019 the Company will focus on servicing the rental housing stock and ensuring comfortable living conditions for the tenants in the commissioned buildings.

To further develop mortgage lending and increase its mortgage portfolio, the Company launched a new mortgage product in October 2018. Orda Mortgage is a program for providing mortgage loans to individuals via partner-banks.

Retaining our credit rating is also very important for us. MO KMC JSC is a reliable, sound and stable financial institution as confirmed by the ratings awarded by the largest international rating agencies: Baa3 by Moody's and BBB- by Fitch.

There are big plans ahead of the Company, and our team in particular, for the next few years that center around implementing state programs and our own financial projects.

HIGHLIGHTS OF THE YEAR 2018

JANUARY

- In compliance with the resolution of the Management Board of Baiterek NMH JSC dated 24.01.2018 the authority of Aidar Arifkhanov as a member of the Board of Directors of MO Kazakhstan Mortgage Company JSC and a representative of the Sole Shareholder was terminated. Galymzhan Tadzhiyakov was elected as the member of the Board of Directors to represent the Sole Shareholder.
- The Company made a transition to the new accounting standard IFRS 9 and implemented the expected credit loss model (ECL).

FEBRUARY

- The Company raised 6.0 bln tenge at the KASE by issuing 10-year bonds KZ2C0Y10F013 (KZ2C00003333, KZIKb27) with a yield-to-maturity of 10.50%.

MARCH

- The Company took part in the Annual National PR Award Ak Mergen-2018 in the Nomination for the Best Project in Promotion of State, Nongovernmental and Social Programs.

MAY

- The Company became a new member of the Asian Secondary Mortgage Market Association. National Mortgage Corporation of Malaysia Cagamas Bhd, Japan Housing Finance Agency, Korea Housing Finance Corporation, Mongolian Mortgage Corporation, National Home Mortgage Finance Corporation (Philippines), PT Sarana Multigriya Finansial (Indonesia) and Secondary Mortgage Corporation (Thailand) are also members of this association.

- The Company started accepting applications under the Program of Mortgage Refinancing approved by the Resolution of the Management Board of the National Bank of Kazakhstan restated on March 27, 2018 pursuant to the Nation-Wide Action Plan for Implementation of the Presidential Address to the People of Kazakhstan titled New Development Opportunities amid the Fourth Industrial Revolution.
- The Company took part in the 8th Global Housing Finance Conference held by the World Bank in Washington. The theme of the conference was Breaking the Mold – New Ideas for Financing Affordable Housing. Following the conference's panel discussions, experts from Japan, Korea, Kazakhstan, India, Azerbaijan, Malaysia, Kenya, Jamaica, Mongolia, Algeria, Kyrgyzstan, Tanzania, Nigeria and other countries made a decision to establish the International Secondary Mortgage Market Association (ISMMA). The purposes behind creating this association included exchanging experience and jointly searching for ways to ensure stable development of housing financing. The Company was elected plenipotentiary representative of the countries of Central Asia and Caucuses in the ISMMA.

JUNE

- In light of the Resolution of the Government of Kazakhstan (dated 22.06.2018, №372) and the launch of a new mortgage program 7-20-25[1] by Kazakhstan's National Bank, the Company finished its activities related to subsidizing the mortgage loan interest rate as part of Nurly Zher State Housing Construction Program. In the course of implementation of this program, 3,566 loans totally worth 37.21 bln tenge were approved.

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[1] *Approved by the Decree of the Management Board of the National Bank of Kazakhstan dated 31.05.2018, №107.*

[2] *Formerly known as Nurly Zher Housing Construction Program, approved by the Decree of the Government of Kazakhstan dated 31.12.2016, № 922.*

JULY

- 53 families in Almaty received housing on a rent-to-own basis as part of Nurly Zher State Housing Construction Program[2] (hereafter referred to as "Nurly Zher Program") initiated by the President of Kazakhstan Nursultan Nazarbayev.

AUGUST

- The Company raised 5.4 bln tenge at the KASE by issuing 10-year bonds KZ2C0Y10F013 (KZ2C00003333, KZIKb27) with a yield-to-maturity of 9.65% per annum.
- In Petropavlovsk, 116 families received housing on a rent-to-own basis as part of Nurly Zher Program.

SEPTEMBER

- In Aktau, 478 families received housing on a rent-to-own basis as part of Nurly Zher Program.
- The Company was one of the organizers of the international conference called Management, Maintenance and Modernization of the Housing Stock in Central Asian Countries along with UNDP and the Ministry for Investments and Development of Kazakhstan.

OCTOBER

- The rating agency Fitch affirmed the Company's Long-Term Foreign- and Local-Currency Issuer Default Ratings at BBB- with Stable Outlooks and its Short-Term Foreign-Currency Rating at F3. The company also had its BBB- rating on Existing Long-Term Preferential Bonds renewed.
- The Company launched a new mortgage-lending program Orda for the population.
- The Company signed cooperation agreements with Tsesnabank JSC and Bank CenterCredit JSC in the framework of Orda Mortgage Program.

[2] *Formerly known as Nurly Zher Housing Construction Program, approved by the Decree of the Government of Kazakhstan dated 31.12.2016, № 922.*

KAZAKHSTAN MORTGAGE COMPANY

NOVEMBER

- In Karaganda and Petropavlovsk, 226 families received housing on a rent-to-own basis as part of Nurly Zher Program.
- The Company signed cooperation agreements with Bank Kassa Nova JSC and BI Capital LLP in the framework of Orda Mortgage Program.
- Tsesnabank JSC issued its first three loans totally worth 121.6 mln tenge as part of Orda Mortgage Program.

DECEMBER

- The Company paid the government loan interest rate in the amount of 9 mln tenge and made the coupon payment on non-government securities KZ2C0Y10F013 (KZ2C00003333, KZIKb27) in the amount of 1,018 mln tenge.
- The company made a private placement of 20.0 billion tenge worth of 15-year bonds with a yield of 9.58% per annum at the stock market of Astana International Financial Center.
- The international rating agency Moody's gave the Company the Long-Term Foreign- and Local-Currency Issuer Default Ratings of Baa3 with Stable Outlooks. The Short-Term Foreign- and Local-Currency Issuer Default Ratings were reaffirmed at P-3.
- In Nur-Sultan, 80 families received housing on a rent-to-own basis as part of Nurly Zher Program.

ABOUT THE COMPANY

KAZAKHSTAN MORTGAGE COMPANY

OVERVIEW

Mortgage Organization Kazakhstan Mortgage Company JSC (hereafter referred to as the “Company” or “MO KMC JSC”) was established in accordance with the Decree of the Management Board of the National Bank of Kazakhstan dated December 20, 2000, №469 for the purpose of implementing the Concept of long-term funding of housing construction and development of mortgage lending. It is one of the first mortgage organizations in the post-Soviet space to be specifically created for implementing state policies in housing.

The goal behind creating the Company is to ensure availability of mortgage loans to the country’s population and stimulate the development of the secondary mortgage market, including by means of acquiring debt-claims on mortgage loans from second-tier banks and mortgage organizations using the funds raised at the capital market. The Company’s business model is based on the experience of the famous USA companies like Fannie Mae and Freddie Mac.

The Company started its principal activities in 2001, and is now one of the largest non-bank financial institutions in the Republic of Kazakhstan.

Besides its activities related to development of the secondary mortgage market, the Company is successfully implementing Nurly Zher Program[3] by providing housing on a rent-to-own basis, and also operating as a financial agent subsidizing a part of the interest rate on mortgages extended to the population by second-tier banks (the “STBs”).

Baiterek National Managing Holding JSC (the “Baiterek Holding” or “Baiterek NMH JSC”) is the sole shareholder of the Company. As on 01.01.2019, Baiterek Holding owns 100% of the Company’s voting shares.

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[3] *Approved by the Decree of the Government of the Republic of Kazakhstan dated June 22, 2018, № 372 (formerly know as Nurly Zher Housing Construction Program).*

Structure of the Charter Capital as on 01.01.2019	
The number of authorized shares	13,681,600 shares
The number of outstanding shares	6,331,380 shares
The number of treasury shares	250,000 shares

The nominal value of 1 share is 10,000 tenge. An ordinary share gives its holder the right to participate in the general meeting of shareholders, the right to vote on all the issues put to the vote, the right to receive dividends if the Company has net profit and makes a decision to pay the dividends at the general meeting of the shareholders, the right to a part of the Company's assets in case of its liquidation in the manner prescribed by the legislation of the Republic of Kazakhstan.

The Company's headquarters are located in Almaty. There are regional offices in 15 regions of Kazakhstan.

Mission, strategic goals and tasks of the Company are formulated in accordance with state policies aimed at increasing the availability of affordable housing to the population and with strategic priorities of Baiterek Holding's development in view.

MISSION, VISION

THE COMPANY'S MISSION is to increase the availability of affordable housing to the citizens of the Republic of Kazakhstan.

THE VISION is to be an efficient financial operator channeling the state policies aimed at ensuring availability of affordable housing to the population of Kazakhstan through the mechanisms of mortgage lending and provision of rental housing.

STRATEGIC TASKS AND AREAS OF OPERATIONS

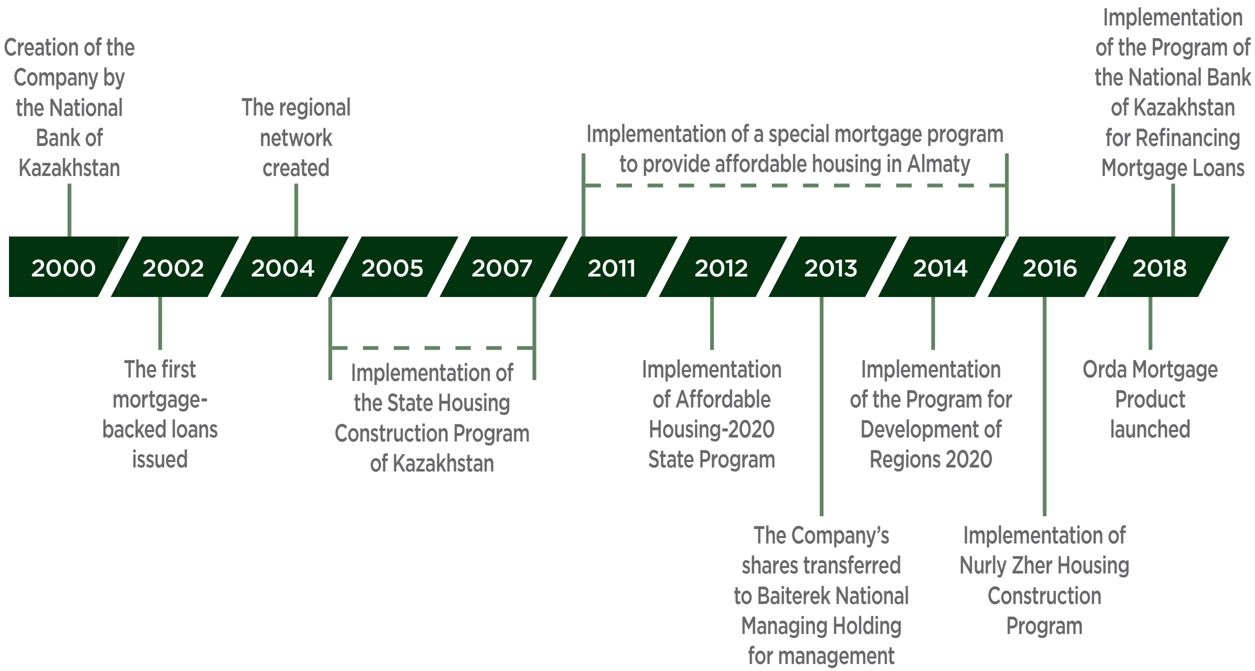
STRATEGIC TASKS:

1. Stimulating the mortgage market development;
2. Meeting the performance targets set by state programs for the Company's areas of operations;
3. Enhancing the Company's efficiency.

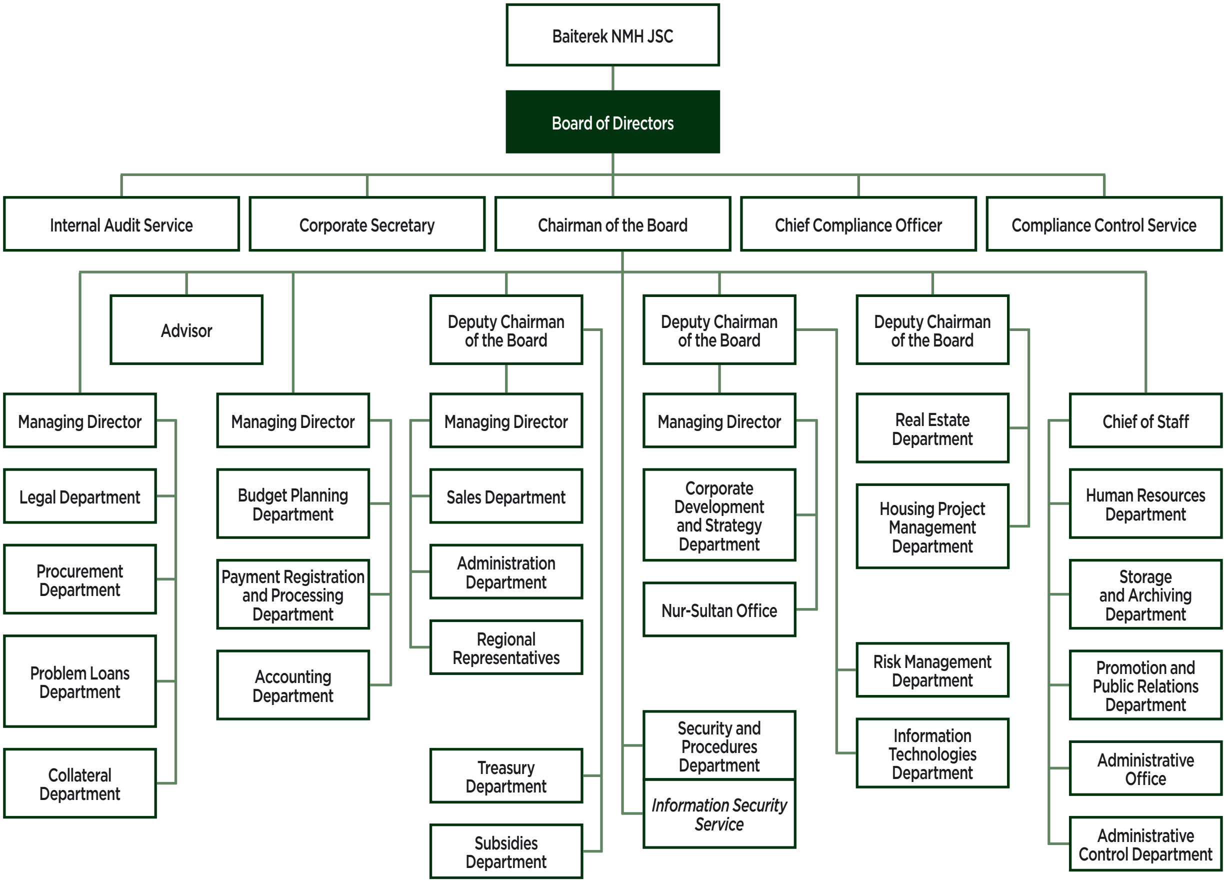
AREAS OF OPERATIONS:

1. Acquiring debt-claims on mortgage loans from second-tier banks and issuing mortgage-backed securities;
2. Implementing Nurly Zher Program in the part of Housing on Rent-to-Own Basis;
3. Mortgage lending to the population through agent-banks, direct mortgage lending to the population;
4. Subsidizing a part of the interest rate on mortgage loans issued to the population by second-tier banks as part of Nurly Zher Program.

DEVELOPMENT HISTORY



ORGANIZATIONAL STRUCTURE (as on 04.12.2018)

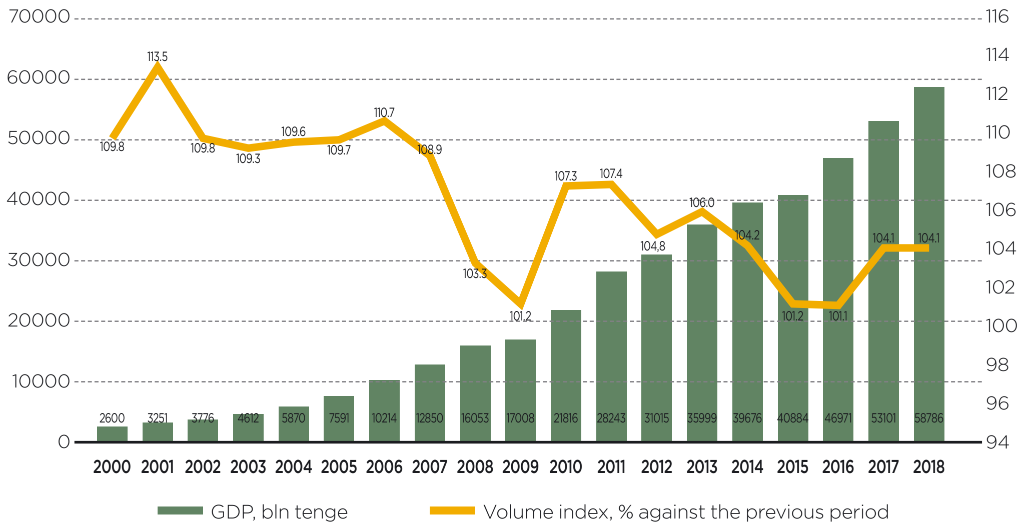


OVERVIEW OF THE MACROECONOMIC SITUATION IN KAZAKHSTAN AND IN THE SECTOR

MAIN INDICATORS OF THE COUNTRY'S SOCIOECONOMIC DEVELOPMENT

According to the preliminary estimation, GDP growth in January-December 2018 made 4.1% against the respective period of 2017.

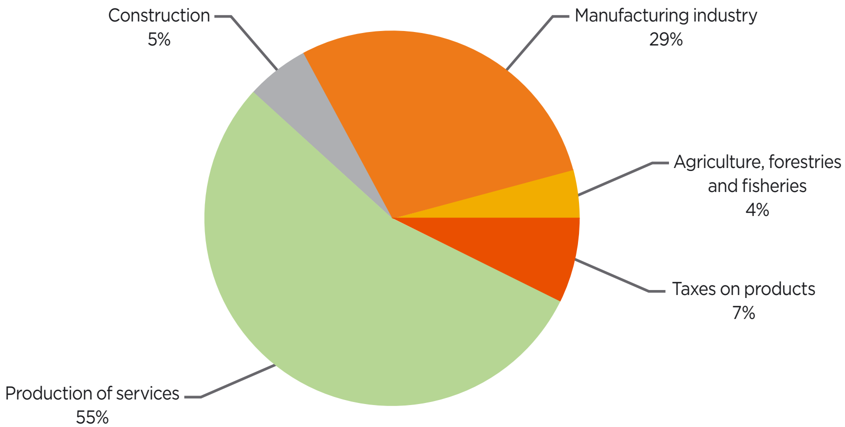
GDP DYNAMICS, BLN TENGE



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

The short-term economic indicator incorporating the development dynamics of 6 key sectors (manufacturing industry, agriculture, construction, trade, transport, communications) made 104.7%.

GDP STRUCTURE: KEY ECONOMIC SECTORS



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

Across the economic sectors, considerable increase of investment was recorded in manufacturing industry (by 27.1% to reach 6,562.7 bln tenge), construction (by 20.6% to reach 116.5 bln tenge), real estate operations (by 20.1% to reach 1,424.2 bln tenge) and agriculture (by 14,2% to reach 395.6 bln tenge).

In January-December 2018 a positive growth dynamics was recorded in trade (by 7.6%), transport (by 4.6%), manufacturing industry and construction (by 4.1% each), agriculture (by 3.4%) and communication services (by 2.6%).

Industrial output grew by 4.1% in January-December 2018. The growth was driven by simultaneous increases in the output of mining and processing industries.

In mining and quarrying the output grew by 4.6%, with iron ore production increasing by 6.5%, natural gas production increasing by 5.5% and crude oil production increasing by 4.8%.

Processing industry showed a 4.0% growth with machine-building industry output growing by 14.1%, petrochemical production by 8.8%, chemical industry by 8.1%, paper and paper products by 4.9%, textile industry by 4.4%, manufacture of rubber and plastic products by 3.1%.

A 1.7% decrease was registered in the output of iron and steel making industry.

Electric power supply, natural gas supply, steam supply and air conditioning gained 2.4%. Water supply and sewage lost 1.0%.

Gross agricultural output grew by 3.4%, with livestock output growing by 3.9% and crop production growing by 3.1%.

Construction grew by 4.1%. In January-December 2018, 12.1% more housing was commissioned, with Mangistau Oblast commissioning rate growing by 40.8%, Atyrau Oblast by 27.2%, Turkestan Oblast by 21.7% and Zhambyl Oblast by 21.3%.

Transport services grew by 4.6%. Communications services saw an increase of 2.6%. Retail and wholesale trade grew by 7.6%.

As on January 1, 2019, loans extended by second-tier banks to fund economic sectors were totally worth 13,091.8 bln tenge having grown by 3.0% since the beginning of the year 2018. Corporate loans decreased by 4.6% during the year and made 7,789.1 billion tenge, whereas loans to individuals increased by 16.8% to reach 5,302.6 billion tenge.

In January-December 2018, 13,460.4 bln tenge of new loans was extended, a 24.4% increase against the same period of 2017.

Interest rate on the provided loans made 12.3% in December 2018.

The interest rate on provided long-term loans was decreasing during the year from 16.9% in January 2018 down to 12.9% in December 2018, and on short-term loans from 13.1% to 11.8%.

The volume of short-term lending in January-December 2018 grew by 19.9% compared to the previous year and made 7,341.7 bln tenge (constituting 54.5% in the overall volume of lending), whereas the volume of long-term lending increased by 30.2% to make 6,118.7 bln tenge (constituting 45.5% of the total volume of lending).

New loans in January-December 2018 were mostly trade loans (4,679.9 bln tenge, making up 34.8% of the loan portfolio) and manufacturing business loans (2,105.8 bln tenge, making up 15.6% of the loan portfolio).

533.4 bln tenge was provided in funding to construction industry (4.0% of the loan portfolio), 395.3 bln tenge to transport (2.9% of the loan portfolio), and 112.0 bln tenge to agriculture (0.8% of the loan portfolio).

Lowering inflationary pressures, high investment activities and maintained positive dynamics in the key economic sectors were the main factors behind the economic growth in 2018.

Inflation in 2018 made 5.3%, remaining within the target range (of 5.0 to 7.0%). Compared to 2017 the inflation rate was 1.8% lower.

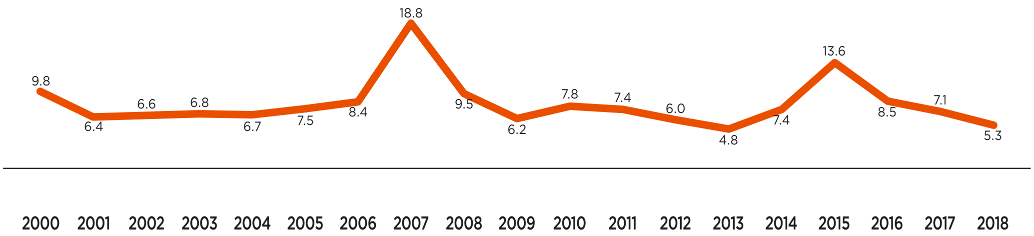
According to the research made by the economists from the World Bank , low and stable rate of inflation is a key condition for mortgage market development. For the year 2019, the target inflation range is set to 4-6%, and the midterm target is 3-4%. To avoid escalation of inflation and maintain it within the target range, the Government and the National Bank will be implementing measures to ensure stability of prices on the domestic market. External and internal factors influencing consumer prices will be monitored on an ongoing basis, and the authorities will step in to control food and fuel prices ensuring development of competitive markets, preventing price-fixing and unfair competition.

Low inflation rate, while necessary, is not a sufficient requirement for mortgage market development, however.

As on January 1, 2019, deposits amounted to 18,553.2 bln tenge having grown by 6.0% during

[4] *Mortgage Lending: New Data and Analysis by A. Badev, T. Beck, L.Vado, S. Walley*

INFLATION, %



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

the preceding year, with deposits of individuals making 8,656.8 bln tenge after having grown by 6.6% and deposits of legal entities making 9,896.5 bln tenge after having grown 5.4%.

Deposits in tenge grew from 50.6% in December 2018 to 51.6% in January 2019.

The amount of cash in circulation (M0 includes money outside the banking system) increased by 16.1% during the year 2018 and reached 2,260.2 bln tenge at its end.

Money supply (M3 includes cash in circulation, transferable and other deposits of non-bank resident entities and private deposits in tenge and foreign currencies) grew by 7.0% since the beginning of the year and reached 20,813.4 bln tenge at the end of the year 2018.

In December 2018 the official exchange rate of tenge against US dollar fluctuated within the range of 369.4-384.2 tenge per 1 US dollar, and the average exchange rate in January-December 2018 made 344.7 tenge per 1 US dollar.

In January-December 2018 government revenue made 10,924.7 bln tenge, which is 101.8% of the target amount. Government expenditure made 11,757.7 bln tenge, which is 99.7% of the target amount for the year; out of this amount the actual spendings made 11 346.1 bln tenge, which is 99.7% of the target amount. Budget deficit made 833.1 bln tenge, which is 1.4% to GDP.

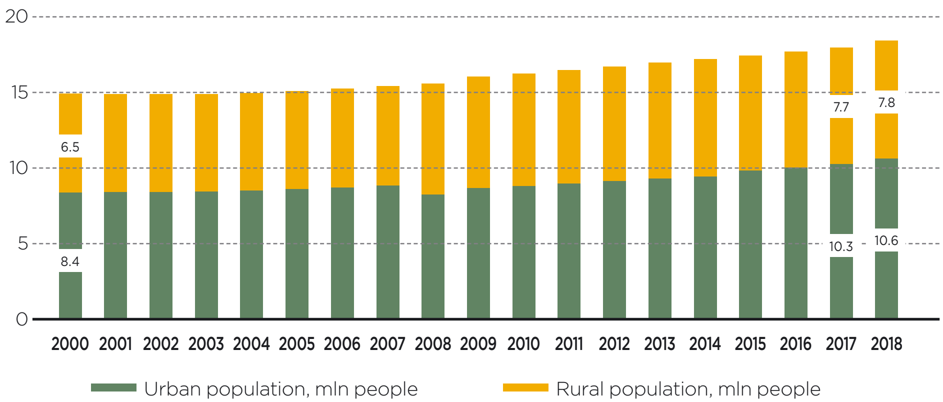
Government debt including guarantees and liabilities made 16,045.4 bln tenge on January 1, 2019 having grown by 14.7% since the beginning of 2018.

International reserves of Kazakhstan made 88.6 bln US dollars as on January 1, 2019, with the National Bank's foreign reserves making up 30.9 bln US dollars and the National Funds foreign reserve assets making up the other 57.7 bln US dollars.

Kazakhstan's population size was 18.4 mln people as on January 1, 2019. Population growth since the beginning of 2018 made 1.3%. Urban population constitutes 58% and rural population constitutes 42%.

The number of employed makes 8.7 million peo-

POPULATION DYNAMICS, MLN PEOPLE



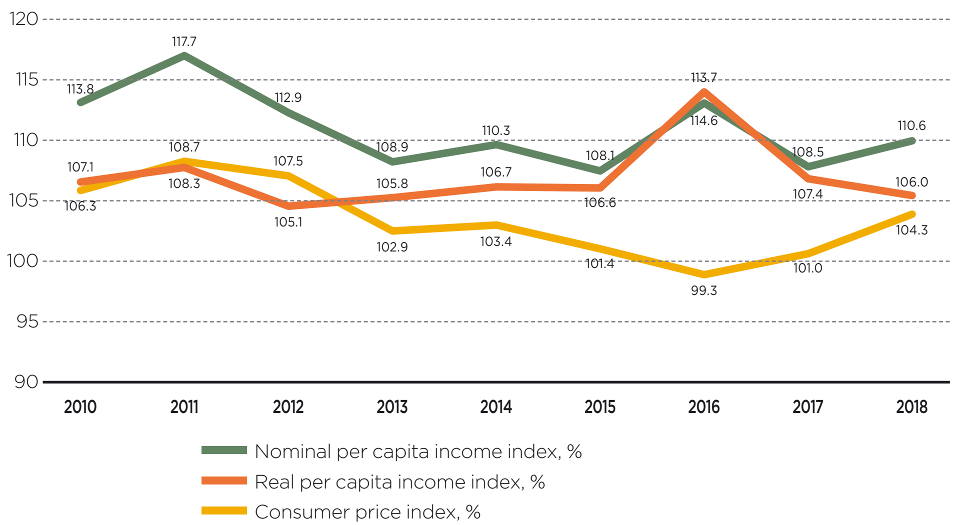
Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

ple, which is 47.5% of the country's population. The labor market is relatively stable, with the official unemployment rate standing at 4.9%.

The minimum subsistence level as on January 14, 2019 made 27,072 tenge per capita, which is 13.9% more than the year before.

Nominal per capita income made 1.1 mln tenge in January-December 2018 (an average of 92,703 tenge per month) having grown by 11% against the year 2017.

NOMINAL AND REAL INCOME PER CAPITA, CONSUMER PRICE DYNAMICS



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

Real per capita money income of the population grew by 4.3% in 2018 compared to 2017, whereas consumer price index grew by 6% in 2018.

Average nominal monthly wages in January-December 2018 made 162,267 tenge. Compared to the same period of the previous year, it increased by 8.4%. Meanwhile, the real wage index in January-December 2018 made 102.3% against the previous year.

AVERAGE NOMINAL MONTHLY WAGES IN 2018, PER EMPLOYEE

Area	Average nominal monthly wages per employee, tenge	Average nominal monthly wages per employee, % against the previous year	Real wages index in January-December, % against the pervious year
Kazakhstan	162 267	108.4	102.3
Akmola Oblast	120 523	109.4	103.0
Aktobe Oblast	137 522	109.1	103.5
Almaty Oblast	115 616	105.4	99.2
Atyrau Oblast	296 191	112.8	106.8
West Kazakhstan Oblast	153 356	110.9	104.7
Zhambyl Oblast	109 171	108.6	102.6

Area	Average nominal monthly wages per employee, tenge	Average nominal monthly wages per employee, % against the previous year	Real wages index in January-December, % against the pervious year
Karaganda Oblast	149 490	111.3	105.3
Kostanay Oblast	125 514	107.7	101.8
Kyzylorda Oblast	129 702	105.2	98.9
Mangistau Oblast	276 135	108.9	102.0
Pavlodar Oblast	140 877	107.1	101.0
North Kazakhstan Oblast	110 205	106.1	100.3
Turkestan Oblast	103 929	105.8	100.3
East Kazakhstan Oblast	139 885	111.2	105.2
Nur-Sultan City	237 538	105.6	98.9
Almaty City	201 815	107.1	101.0
Shymkent City	114 531	104.7	99.0

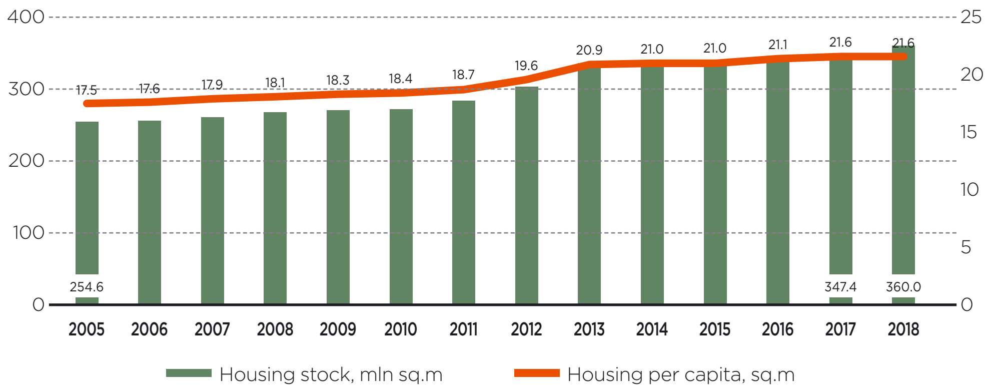
As the aforecited data demonstrate, there is a positive growth dynamics in the country's socioeconomic indicators.

HOUSING AND MORTGAGE MARKET

HOUSING STOCK AND HOUSING PER CAPITA

According to the Statistics Committee, the total floor area of Kazakhstan's housing stock as at the beginning of 2018 was 347.4 mln sq.m, with 219.1 mln sq.m in urban areas and 128.3 mln sq.m in rural areas.

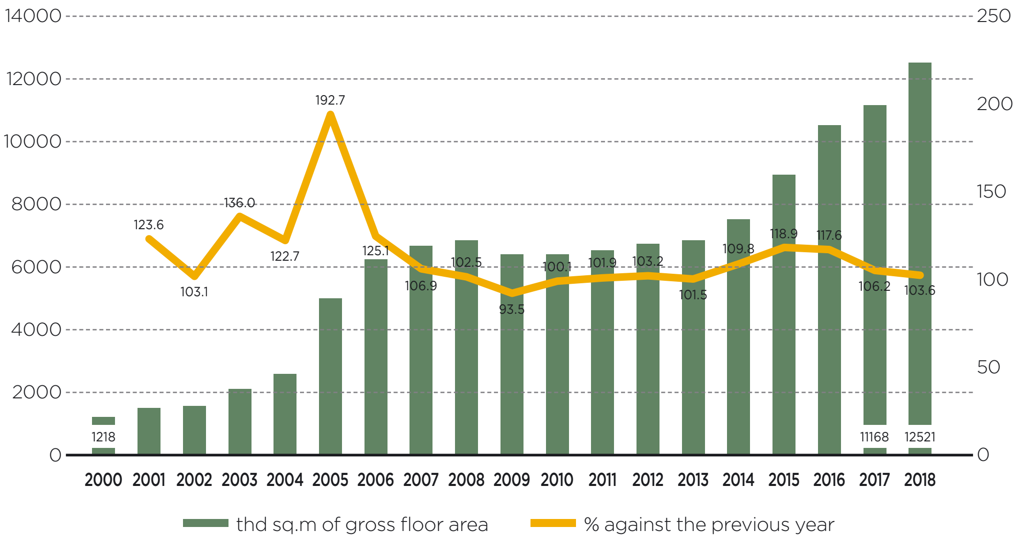
HOUSING PER CAPITA DYNAMICS, END OF THE YEAR, THD PEOPLE



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

In January-December 2018 1,162 bln tenge was channeled into construction, which is 8.1% more than in 2017. 37,376 private residences and 1,237 apartment buildings were commissioned. 113,700 apartments were built, which is 12.8% more than in 2017.

HOUSING COMMISSIONING DYNAMICS



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

Average actual expenditures on construction of 1 square meter of gross floor area in apartment buildings made 104,800 tenge and in private residences made 77,900 tenge in January-December 2018.

The total floor area of housing commissioned in January-December 2018 was 12.5 mln sq.m (113 740 apartments), which is 12.1% more than in 2017.

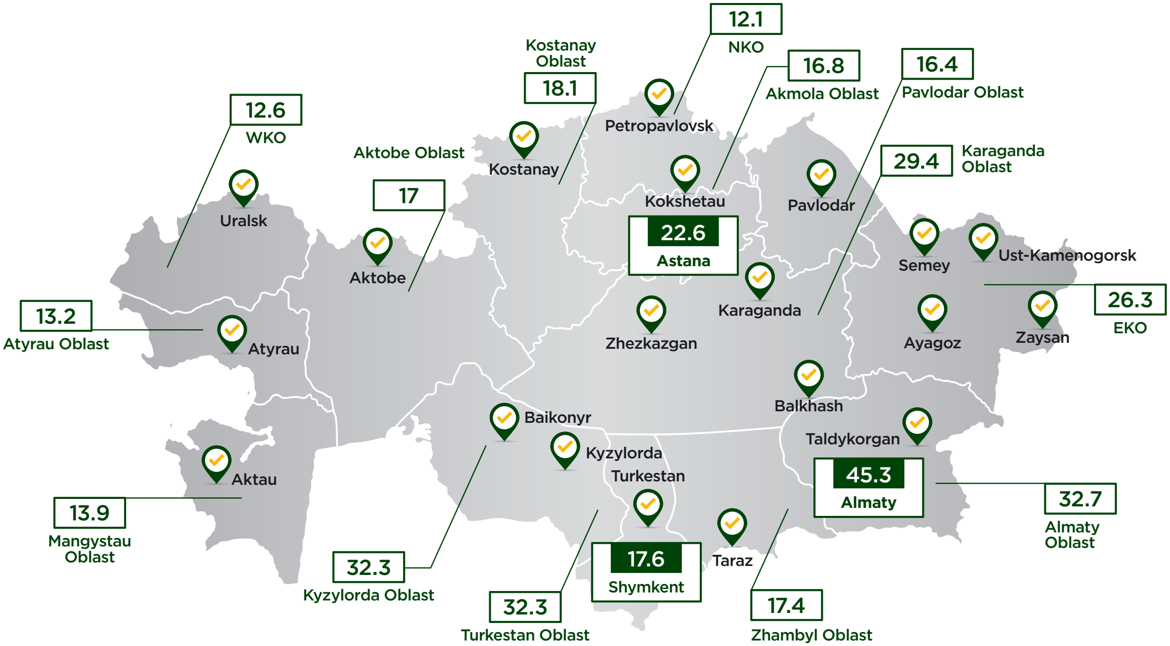
TOTAL FLOOR AREA OF HOUSING COMMISSIONED IN JANUARY-DECEMBER 2018

Location	Commissioned housing, sq.m of gross floor area	% against 2017	Number of apartments	% against 2017
Kazakhstan	12 521 149	112.1	113 740	112.8
Akmola Oblast	477 986	112.1	4 707	129.1
Aktobe Oblast	908 635	114.7	7 875	119.3
Almaty Oblast	713 207	110.4	5 175	101.9
Atyrau Oblast	793 890	127.2	5 734	109.2
West Kazakhstan Oblast	432 225	110.2	3 992	104.3
Zhambyl Oblast	482 298	121.3	4 203	123.4
Karaganda Oblast	416 690	111.4	4 135	121.9
Kostanay Oblast	299 279	113.1	3 172	119.5
Kyzylorda Oblast	699 599	114.3	6 208	116.3

Location	Commissioned housing, sq.m of gross floor area	% against 2017	Number of apartments	% against 2017
Mangistau Oblast	1 173 217	140.8	10 376	148.0
Pavlodar Oblast	284 041	117.4	2 865	118.1
North Kazakhstan Oblast	218 113	109.0	2 068	102.9
Turkestan Oblast	387 796	121.7	3 003	105.2
East Kazakhstan Oblast	410 534	108.0	4 332	119.1
Nur-Sultan City	2 378 052	100.8	23 460	104.0
Almaty City	2 006 366	105.5	18 506	112.3
Shymkent City	439 221	109.1	3 929	84.7

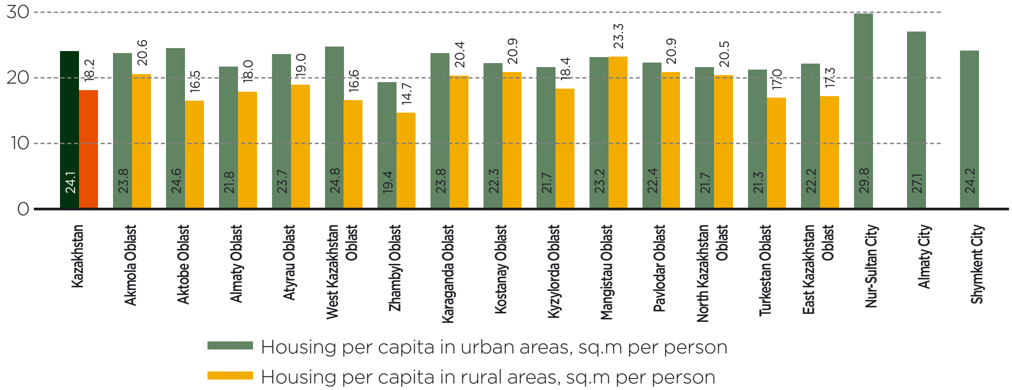
The total floor area of existing housing as of the end of 2018, including the housing commissioned during the year, made 360 mln sq.m.

HOUSING STOCK IN KAZAKHSTAN, INCLUDING THE HOUSING COMMISSIONED IN 2018, MLN SQ.M



Housing per capita in the country as of the beginning of 2018 made 21.6 sq.m per person: 24.1 sq.m in urban areas and 18.2 sq.m in rural areas.

HOUSING PER CAPITA



Source: About the Housing Stock in the Republic of Kazakhstan in 2017 // The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

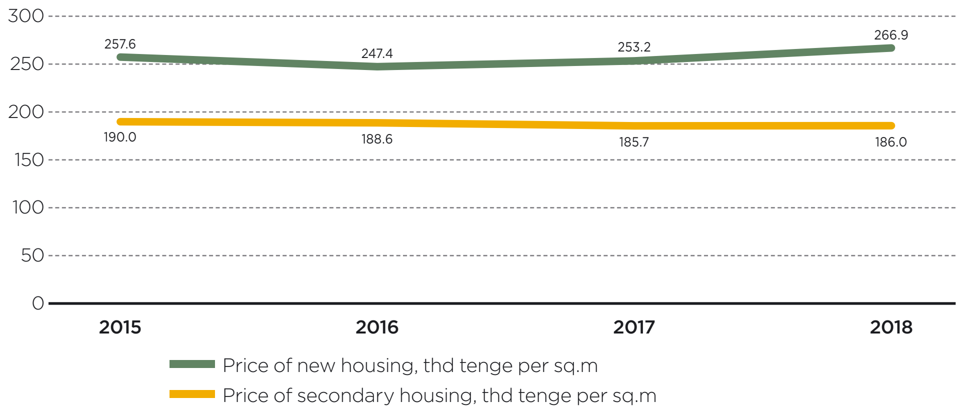
In Almaty and Nur-Sultan there is considerably more housing per capita then elsewhere in Kazakhstan – the numbers are 27.1 and 29.8 sq.m per person respectively. Nevertheless, Kazakhstan falls short of the UN standards in this area (the standard is 30 meters per person) and lags behind developed companies (40 sq.m per person in France, 70 sq.m per person in the USA, 43 sq.m per person in Austria).

At the existing construction and commissioning rate it will take Kazakhstan more than 16 years to provide enough housing (at least 15 sq.m per person) for the population of 18.4 mln people.

Key factors influencing affordability of housing are housing prices and the population's incomes.

The average price of new housing in Kazakhstan in 2018 made 266,900 tenge per 1 sq.m, the average price of secondary housing was 186,000 tenge per 1 sq.m, the rent was 1,384 tenge per 1 sq.m.

AVERAGE PRICE OF NEW AND SECONDARY HOUSING



Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

Highest new housing prices were recorded in Nur-Sultan, Almaty, Shymkent, Aktau and Atyrau. Lowest prices (more than 40% lower then the country's average) were registered in Aktobe, Kyzylorda, Uralsk, Pavlodar, Petropavlovsk, Taldykorgan and Taraz. Meanwhile, new housing in Taraz and Taldykorgan is being sold as part of the Regional Development Program, and in Kyzylorda and Petropavlovsk as part of Nurly Zher Program.

As to secondary housing prices, in Aktau, Atyrau, Almaty and Nur-Sultan they range from 249,300 to 345,800 tenge per 1 sq.m, which is 34-86% higher than the country's average. Lower secondary housing prices were registered in the cities of Aktobe, Zhezkazgan, Kyzylorda.

PRICES OF PRIMARY AND SECONDARY HOUSING IN 2018

City	Price of new housing, thd tenge per 1 sq.m	Price of secondary housing, thd tenge per 1 sq.m	Rent, tenge per 1 sq.m
Kazakhstan	266.9	186	1 384
Nur-Sultan	340.7	345.8	2 689
Almaty	327.4	344.3	2 265
Shymkent	317.3	170. 2	1 232
Aktau	284.6	249.3	2 047
Aktobe	154.3	148.6	1 334
Atyrau	326.3	263.2	1 706
Zhezkazgan	0	143.9	1 262
Kokshetau	192.4	179.8	1 254
Karaganda	201.6	179	1 586
Kostanay	195.6	181.6	1 317
Kyzylorda	141	132.1	1 096

Source: Housing Prices in September 2018 // The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

City	Price of new housing, thd tenge per 1 sq.m	Price of secondary housing, thd tenge per 1 sq.m	Rent, tenge per 1 sq.m
Uralsk	147.9	158.3	1 098
Ust-Kamenogorsk	231	168.8	1 306
Pavlodar	146.6	150.4	1 140
Petropavlovsk	140	183.9	1 300
Semey	172.3	153.8	1 131
Taldykorgan	141.2	185.1	1 038
Taraz	116	178.5	1 015
Turkestan	0	159.6	1 501

Evaluation of affordability of housing using Price-to-Income Ratio (PIR, a housing affordability measure) based on the 2018 data shows that it takes an average of about 3 annual wages for a household to buy a housing of 51 sq.m. According to the international housing affordability scale, "housing in Kazakhstan is not very affordable". However, it is worth mentioning that only a year before the ratio indicated that households in Kazakhstan needed at least 5 annual wages to buy housing.

[5] *Main Affordability Measures in International Practice // Economic Analysis: Theory and Practice 12 (2016), p.111–124. Formula: PIR=(¯PC*S)/(Δ*N*12), where ¯PC is the average market price of 1 sq.m of primary and secondary housing, S – standard floor area of housing per household , Δ – monthly income per capita, N – number of family members in the household, 12 – number of months in a year.*

KAZAKHSTAN MORTGAGE COMPANY

AVAILABILITY OF HOUSING BASED ON PIR

City	Average market price of 1 sq.m of primary and secondary housing, thd tenge	Number of people in a household	Standard floor area of housing per a household, sq.m	Per capita income of the population, tenge	Affordability of housing, years
	$\overline{PC}$	N	S	Д	$PIR = \frac{\overline{PC} * S}{\text{Д} * S * 12}$
Kazakhstan	226.45	3.4	51	92 703	3.1
Nur-Sultan	343.25	3.3	49.5	146 892	2.9
Almaty	335.85	2.8	42	140 542	3.0
Shymkent	243.75	4.3	64.5	57 330	5.3
Aktau	266.95	4.3	64.5	124 603	2.7
Aktobe	151.45	3.8	57	77 701	2.4
Atyrau	294.75	4.4	66	180 115	2.0
Zhezkazgan	186.1	3.2	48	80 898	2.9
Kokshetau	190.3	3	45	93 267	2.6
Karaganda	188.6	2.8	42	82 799	2.8

Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, 2018 data; the Company's own calculations

City	Average market price of 1 sq.m of primary and secondary housing, thd tenge	Number of people in a household	Standard floor area of housing per a household, sq.m	Per capita income of the population, tenge	Affordability of housing, years
	PC	N	S	Д	
Kostanay	136.55	5	75	66642	2.6
Kyzylorda	153.1	3.5	52.5	94925	2.0
Uralsk	199.9	2.8	42	86005	2.9
Ust-Kamenogorsk	148.5	2.8	42	93274	2.0
Pavlodar	161.95	2.8	42	78573	2.6
Petropavlovsk	163.15	3.7	55.5	66917	3.0
Semey	147.2	3.9	58.5	61651	3.0
Taldykorgan	159.6	4.3	64.5	45276	4.4

Housing prices may differ significantly from the average depending on the country's region. The areas with relatively affordable housing are the cities of Uralsk and Pavlodar (PIR equals 2 years).

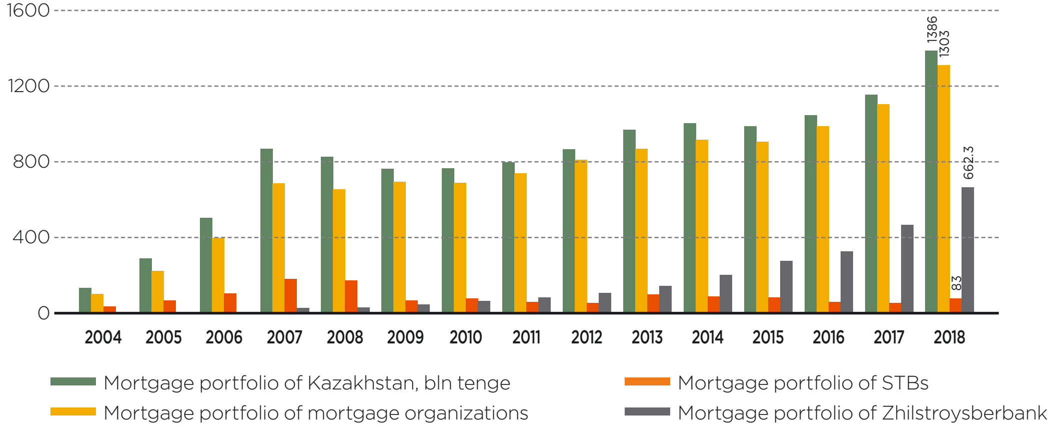
Whereas housing in Shymkent and Turkestan is mostly not affordable (PIR equals 5.3 and 4.4 years respectively).

MORTGAGE MARKET OF KAZAKHSTAN

As on January 1, 2019, Kazakhstan aggregate mortgage portfolio made 1,386 bln tenge. This included:

- mortgage portfolio of second-tier banks (the "STBs") that equaled 1,303 bln tenge (94% of the aggregate portfolio). The portfolio of Zhilstroysberbank JSC accounted for 662.3 bln tenge[6] out of this amount and represented 48% of the country's aggregate portfolio;
- mortgage portfolio of mortgage organizations that equaled 83 bln tenge (6% of the aggregate portfolio).

AGGREGATE MORTGAGE PORTFOLIO OF KAZAKHSTAN, BLN TENGE

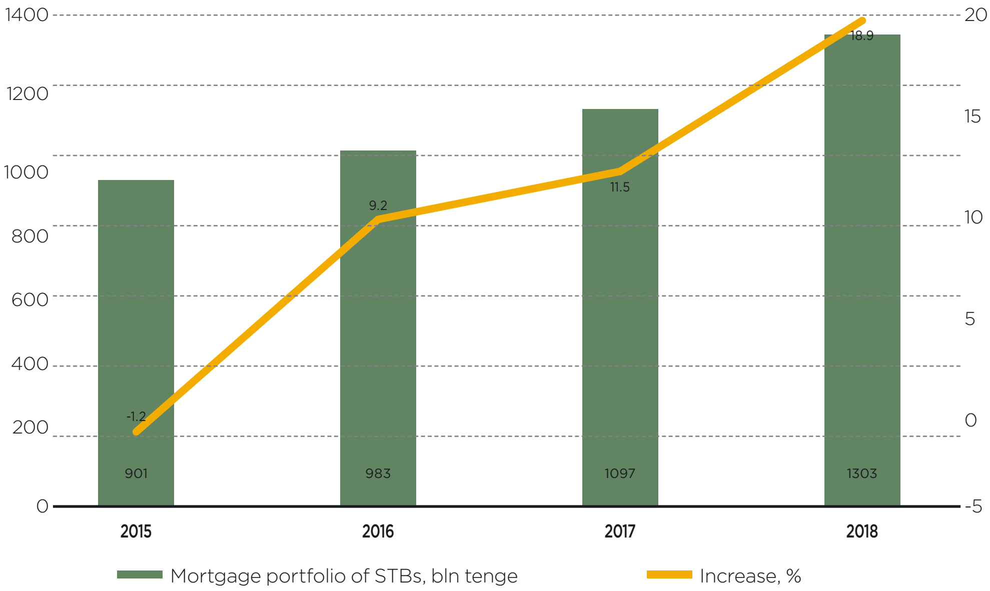


Source: Data provided by of the National Bank of Kazakhstan; Annual reports of Zhilstroysberbank JSC

[6] *Unaudited financial statements of Zhilstroysberbank for Q4 2018.*

As of the end of 2018, mortgage portfolio of STBs made 1,303 bln tenge, including 1,255 bln tenge worth of mortgage loans provided and payable in tenge (96% of the portfolio) and 48 bln tenge worth of foreign currency mortgages (4%). The portfolio was 18.9% larger than the year before.

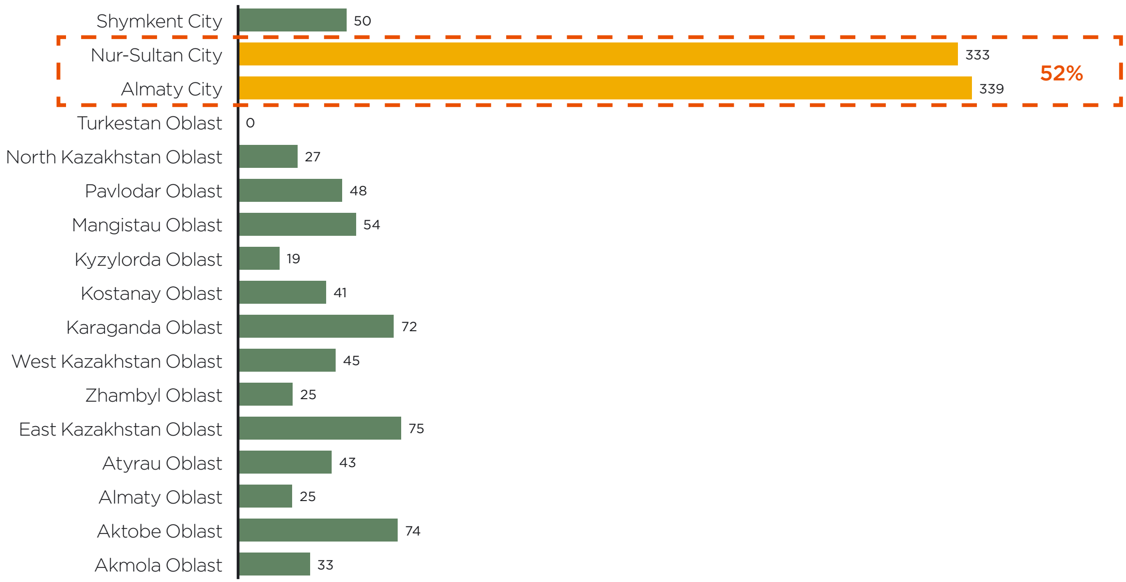
MORTGAGE PORTFOLIO OF STBS IN 2015-2018



Source: The National Bank of the Republic of Kazakhstan

Region-wise, 52% of the mortgage portfolio of STBs consisted of the real estate located in Nur-Sultan and Almaty.

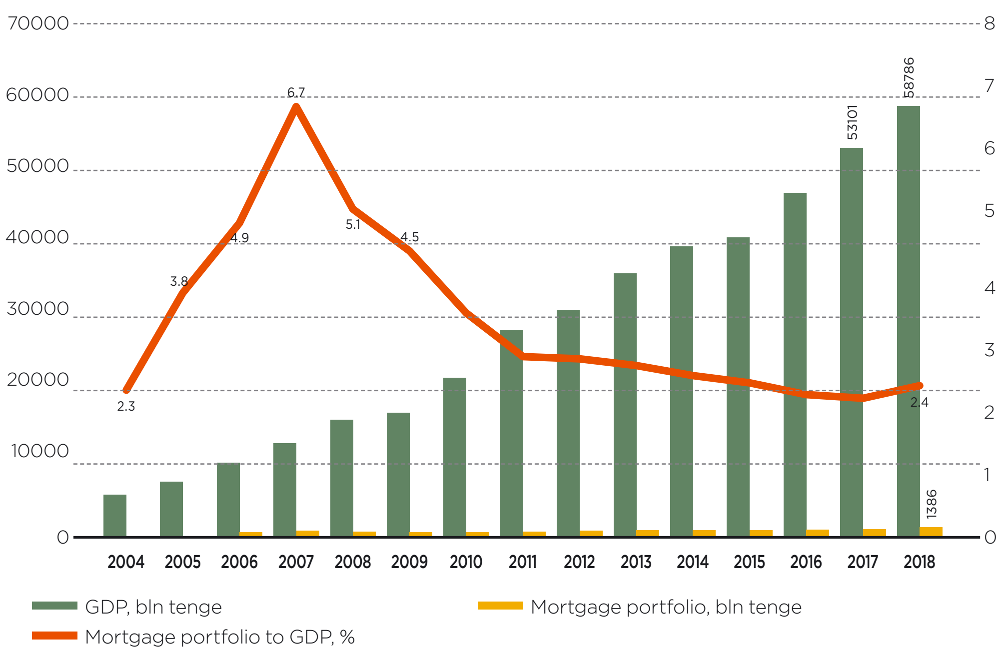
Regional Make-Up of the Mortgage Portfolio of STBs, bln tenge (as on January 1, 2019)



Source: The National Bank of the Republic of Kazakhstan

The aggregate mortgage portfolio stood at 2.4% of Kazakhstan's GDP in 2018.

SHARE OF MORTGAGE IN THE GDP, %



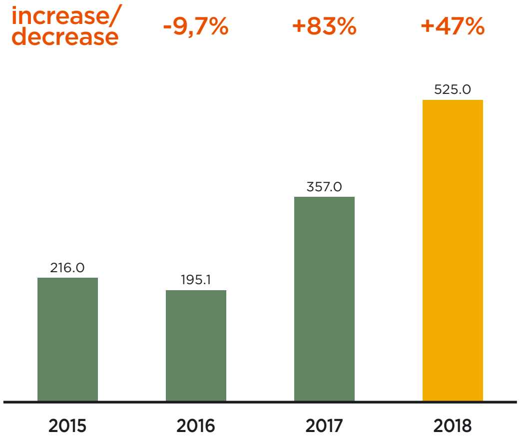
Source: The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan; The National Bank of the Republic of Kazakhstan

Mortgage provided to the population by STBs

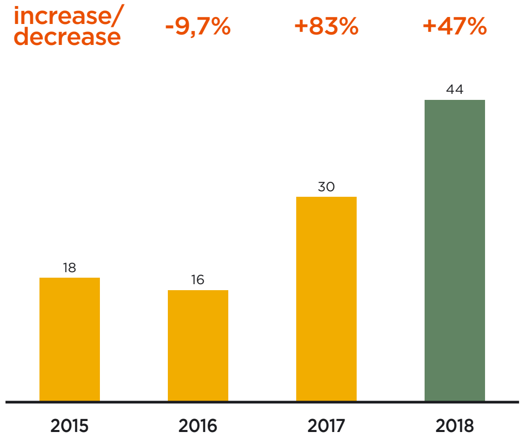
In 2018, 525 bln tenge worth of mortgage loans was extended to the population which is 47% more that in 2017. The share of mortgage loans provided last year in the aggregate mortgage portfolio of STBs made 41%.

Average monthly mortgage lending in 2018 made 44 bln tenge[7], 1.5 times more that in 2017.

MORTGAGE LENDING TO POPULATION BY STBS IN 2015-2018, BLN TENGE



AVERAGE MONTHLY MORTGAGE LENDING IN 2015-2018, BLN TENGE

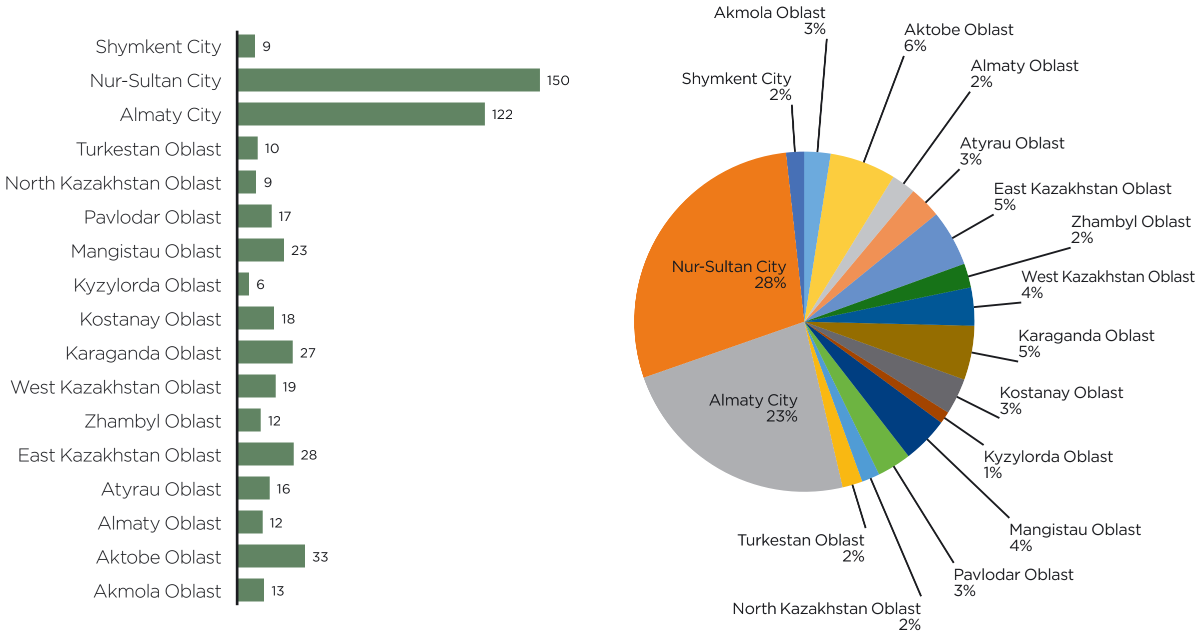


Source: The National Bank of the Republic of Kazakhstan; the Company's own calculations

[7] *Average monthly mortgage lending in January-December 2015-2018 was calculated by dividing the amount of mortgage lending provided during the analyzed period by the number of months in the analyzed period.*

Almaty and Nur-Sultan got 52% of all the mortgage funding extended during the period.

MORTGAGE LENDING TO POPULATION BY STBS (BLN TENGE), SHARE OF REGIONS IN THE LENDING (%) IN 2018

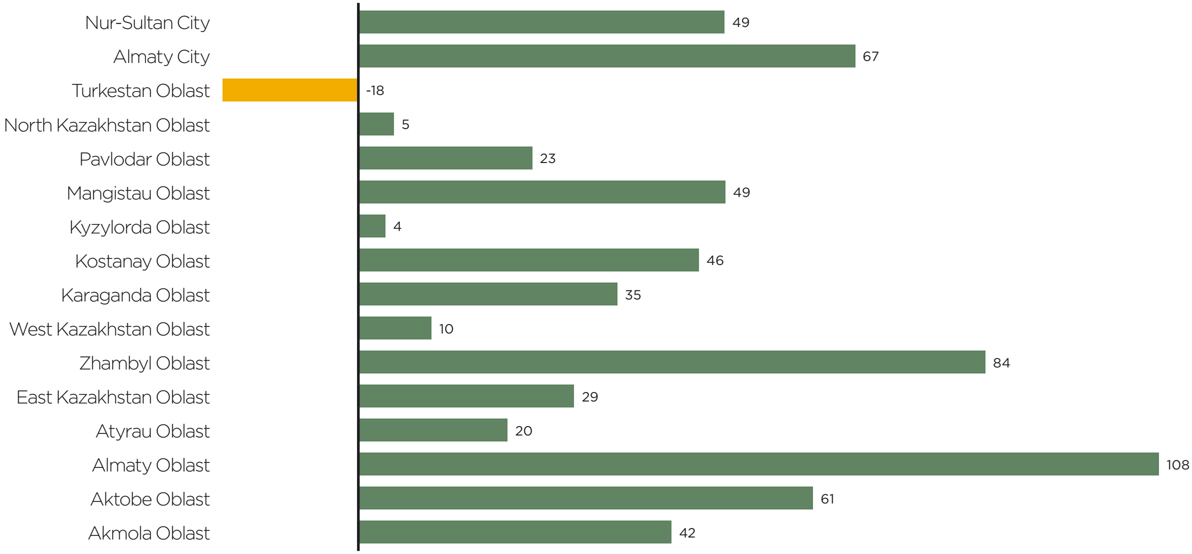


Source: The National Bank of the Republic of Kazakhstan; the Company's own calculations

Mortgage lending increased in virtually all the regions of the country.

An increase of more than 50% in mortgage lending during 2017-2018 was recorded in 4 regions: Almaty city, Zhambyl Oblast, Almaty Oblast and Aktobe Oblast. In other regions the increase ranged from 4 to 49%.

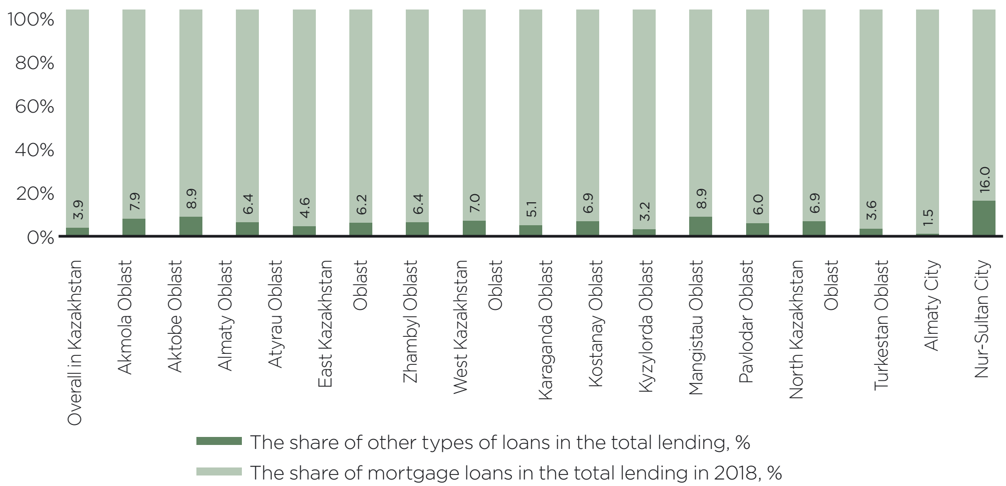
INCREASE IN MORTGAGE LENDING REGION-WISE IN 2017-2018, %



Source: The National Bank of the Republic of Kazakhstan; the Company's own calculations

Overall, mortgage loans constituted 3.9% of all the loans extended in 2018 by STBs. The share of mortgages in the total lending ranged from 1.5 to 16% depending on the region. In Nur-Sultan, the share of mortgages as a percentage of total loans quadrupled in 2016-2018 and was the largest in the country.

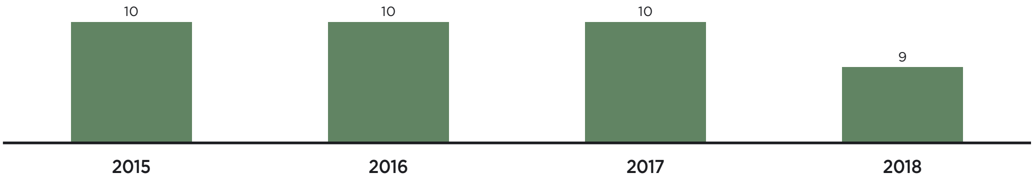
MORTGAGES IN TOTAL LENDING OF STBS IN 2018



Source: The National Bank of Kazakhstan, the Company's own calculations

The average interest rate on mortgage loans extended in 2018 made 9% (-1 percentage point compared to 2017).

WEIGHTED AVERAGE INTEREST RATE ON LOANS FOR CONSTRUCTION AND PURCHASING OF HOUSING BY CITIZENS, %



Source: The National Bank of the Republic of Kazakhstan

In the meantime, the base rate of the National Bank of Kazakhstan was 9.25% with an interest rate collar of +/- 1 percentage point.

Competitive landscape in the market of mortgage lending to individuals

In 2018, 12 out of 28 STBs and 2 mortgage organizations were offering mortgages in the country's mortgage market.

8 banks (Halyk Savings Bank of Kazakhstan JSC, ATF Bank JSC, Tsesnabank JSC, Bank CenterCredit JSC, Bank RBK JSC, ForteBank JSC, Housing Construction Savings Bank of Kazakhstan JSC (Zhilstroysberbank JSC) and SB Sberbank JSC) offered their own mortgage products as well as mortgages through 7-20-25 and Baspana Hit programs (Baspana Mortgage Organization JSC is the operator of these programs).

Housing Construction Savings Bank of Kazakhstan JSC ("HCSBK") is the only bank whose lending portfolio is 100% mortgages to the population. The amount loaned by HCSBK in 2018 exceeded 347 bln tenge. HCSBK was responsible for 66% of all the mortgage loans issued by banks in 2018[8].

The remaining 34% of mortgages were provided by the other 11 STBs.

50.28 bln tenge worth of mortgage loans was provided through 7-20-25 and Baspana Hit programs in 2018[9]. This constituted 9.6% of the total amount of funding provided by STBs through mortgage loans.

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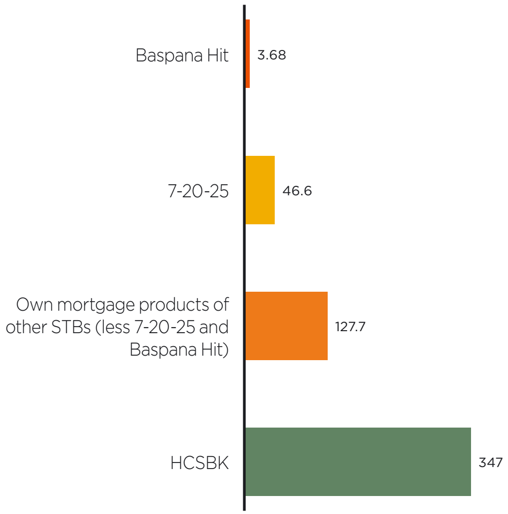
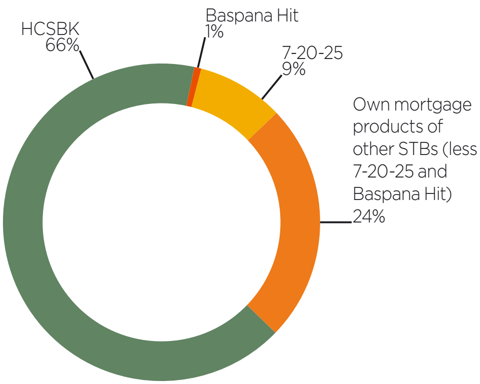
MORTGAGE LENDING OF HCSBK AND OTHER STBS IN 2018, BLN TENGE



SHARE OF HCSBK AND OTHER STBS IN MORTGAGE LENDING IN 2018



Source: The National Bank of Kazakhstan, the Company's own calculations

Therefore, these 11 banks were responsible for issuing 34% of the mortgages if those provided through 7-20-25 and Baspana Hit programs are included, or for 24% of the mortgages if the funding extended though these two programs is not included into this calculation.[10]

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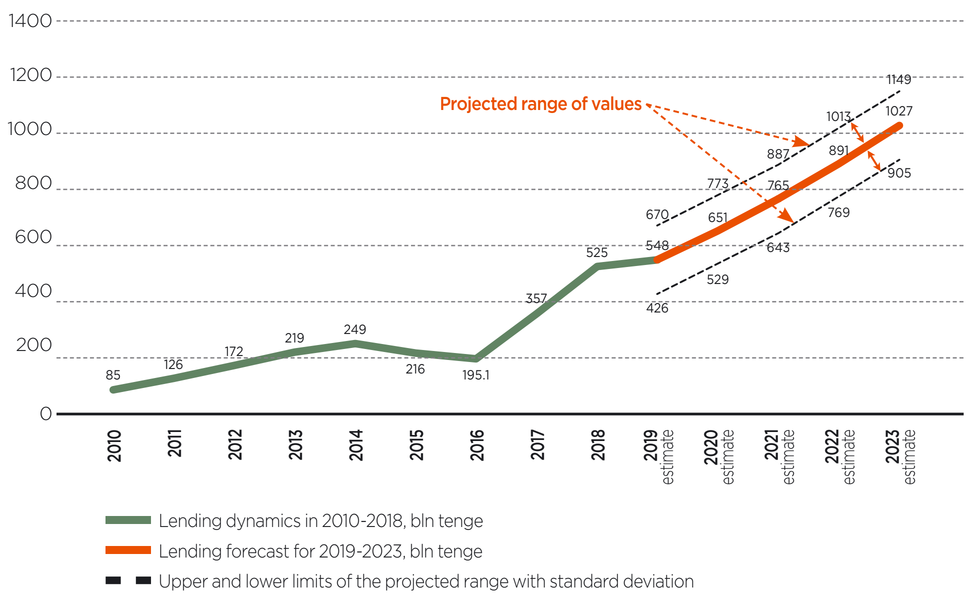
[10]

The Company is expecting mortgage lending to reach 548 bln tenge in 2019 and amount to 1,027 bln tenge in 2023.

PROJECTED AMOUNTS OF MORTGAGE LENDING IN 2019-2023

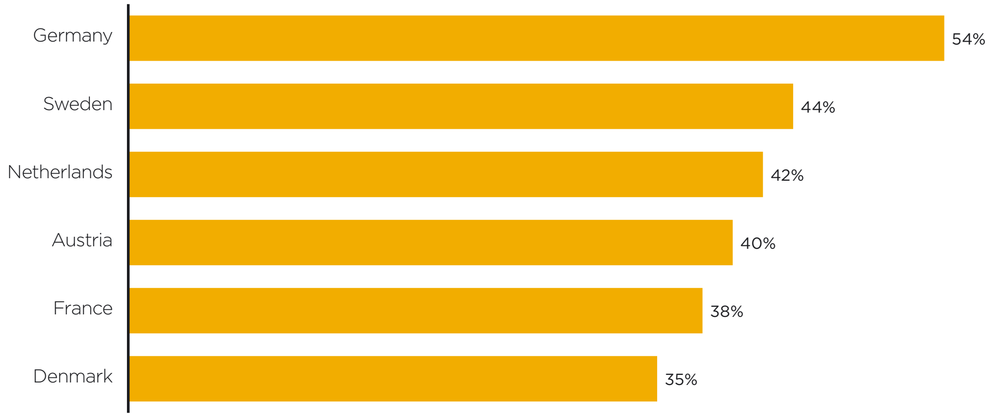


Source: The Company's own calculations

Rental housing market of the Republic of Kazakhstan

Along with mortgage lending, long-term rending is another instrument for improving the population's living conditions. For instance, in the countries of Western Europe rental housing constitutes 30-50% of the entire housing stock. And a high level of labor migration is the main driver behind the development of the rental housing market in European countries.

LONG-TERM LENDING IN THE TOTAL HOUSING STOCK OF SOME EU COUNTRIES



Source: Eurostat statistics

In foreign countries government involvement in the rental housing market is affected mainly through:

- regulating rental prices (Czech Republic, USA, Argentina);
- subsidizing underprivileged families (USA, UK, Australia);
- subsidizing landlords that rent housing out to underprivileged families (USA);
- providing loans for rental security deposits, rental payments and repayment of rental debts (Australia);
- involving NGOs and community-based organizations into managing rental housing (Netherlands, Canada, UK);
- providing land at reduced rates for construction of apartment buildings intended for social and commercial renting (USA, China, Brazil);
- subsidizing construction of housing intended for social renting (Canada, Czech Republic, China).

In Kazakhstan, rent-to-own housing is a conceptually new direction for the real estate market. It has been rapidly developing in the past several years thanks to the state housing policies. In its support of national rental housing the state focuses on providing housing to vulnerable social groups. The rent-to-own model has a considerable advantage compared to the conventional mortgage: it doesn't require a down payment. The requirement to provide a down payment often poses a considerable difficulty for the population. This model is especially viable because until the tenant fully executes his or her obligations and pays off the entire amount, the operator of the program remains the owner of the housing. This minimizes its risks in case the tenant fails to fulfill his or her obligations under the rent-to-own terms.

To facilitate the development of a transparent market of rental housing in Kazakhstan, the government is working on creating a rental housing stock that meets the needs of different social groups for long-term renting (with and without the option of subsequently owning the housing).

Starting from the year 2009, Kazakhstan has been constructing and commissioning rental housing through state-sponsored programs.

RENTAL HOUSING COMMISSIONING DYNAMICS, THD SQ.M

	2012	2013	2014	2015	2016	2017	2018	Total from 2012 to 2018
Rental housing though a state program	481	690.5	607.4	707.5	536.7	947.9	551	4522

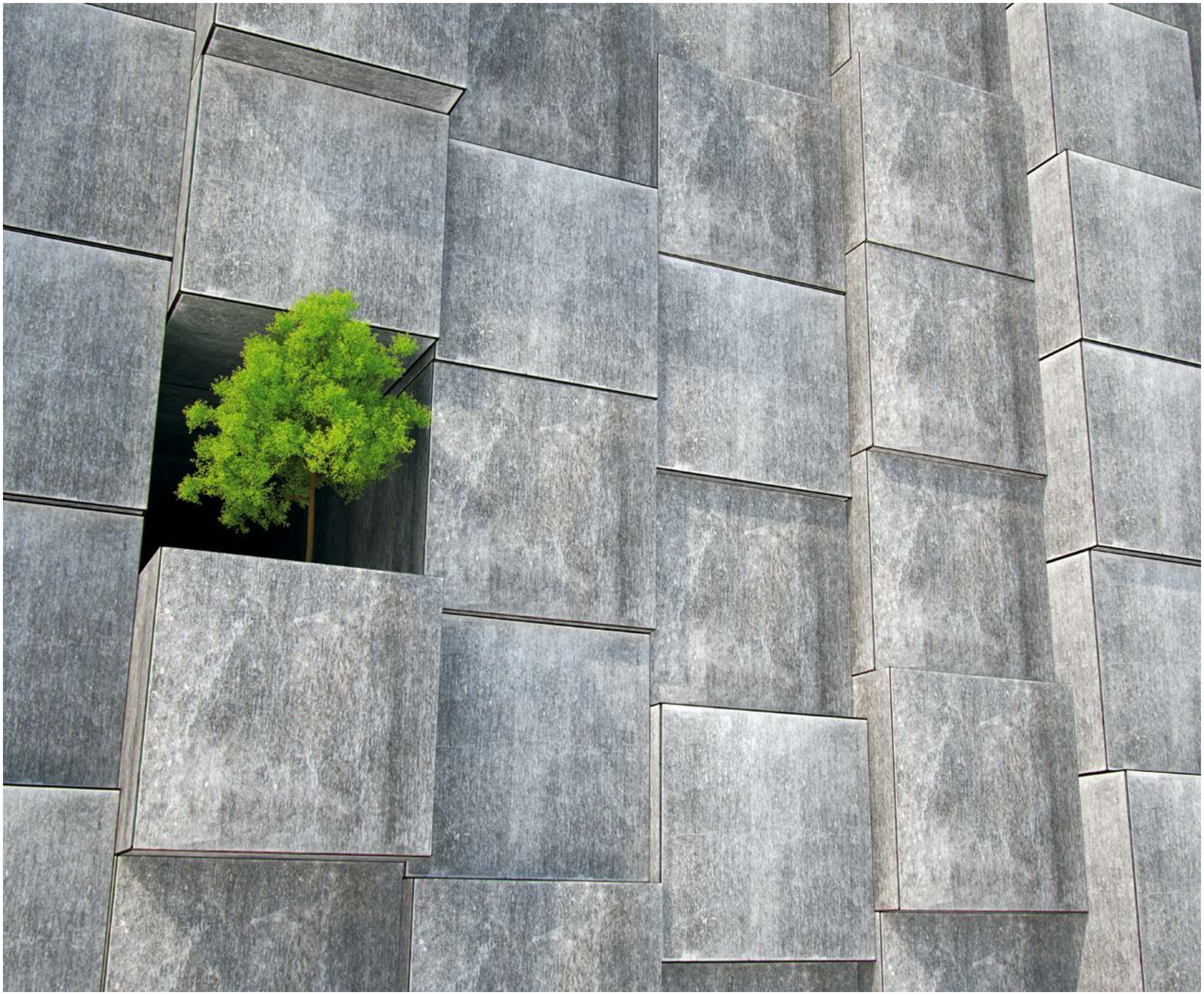
Source: About commissioning of housing in Kazakhstan in January-December 2018 // The Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan

Rental housing through state programs is distributed to the population through local executive authorities, MO KMC JSC, Baiterek Development JSC and Samruk-Kazyna Real Estate Fund JSC.

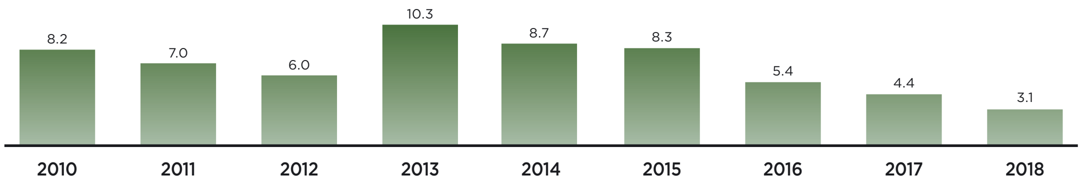
During the period from January 2012 to November 2018, 4.5 mln sq.m of rental housing was created through government-sponsored programs. Its share in the total housing stock made 1.3%.

According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, rental price was 1,384 tenge per 1 sq.m in 2018. The price increased by 4% compared to that of 2017.

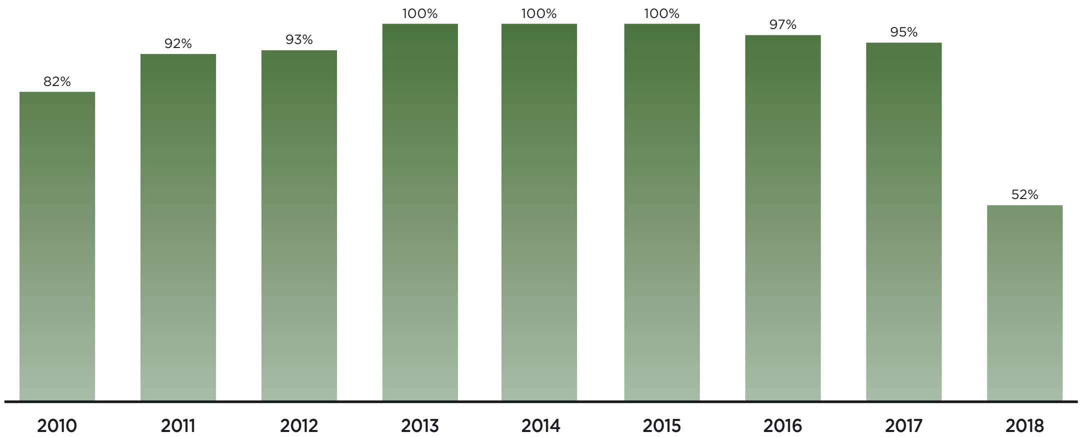
THE COMPANY'S POSITIONS IN THE MORTGAGE MARKET



THE COMPANY'S SHARE IN THE TOTAL MORTGAGE PORTFOLIO OF KAZAKHSTAN



THE COMPANY'S SHARE IN THE MORTGAGE PORTFOLIO OF MORTGAGE ORGANIZATIONS



IMPLEMENTATION OF THE COMPANY'S DEVELOPMENT STRATEGY

Pursuing the Company's **MISSION** that is to increase the availability of affordable housing to the citizens of the Republic of Kazakhstan, the Development Strategy of MO Kazakhstan Mortgage Company JSC for 2014–2023[11] was defined as **THREE KEY TASKS**:

1. To facilitate the mortgage market development;
2. To meet the performance targets set by the state programs in areas relevant for MO KMC JSC;
3. To enhance the efficiency of MO KMC JSC's activities.

The implementation of the key tasks was accomplished through the following **AREAS OF ACTIVITIES**:

1. Acquiring debt-claims on mortgage loans from STBs and issuing mortgage-backed securities;
2. Implementing Nurly Zher Program in the part of Housing on Rent-to-Own Basis;
3. Mortgage lending to the population through agent-banks, direct mortgage lending to the population;
4. Subsidizing a part of the interest rate on mortgage loans issued to the population by second-tier banks as part of Nurly Zher Program.

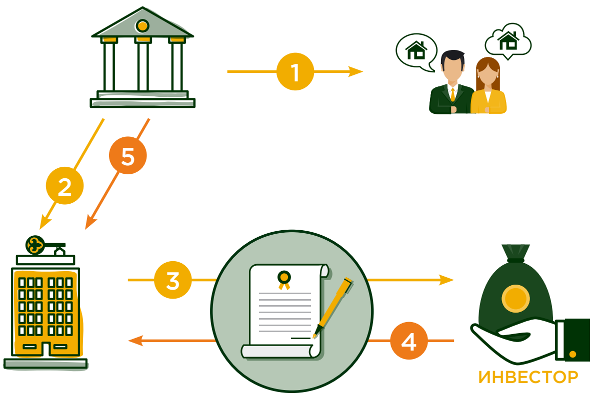
[11] *Approved by the Resolution of the Board of Directors of MO KMC JSC dated July 1, 2014 №6.*

ACQUISITION OF DEBT-CLAIMS ON MORTGAGE LOANS FROM SECOND-TIER BANKS AND MORTGAGE-RELATED SECURITY ISSUES

In 2018 the Company acquired 4.9 bln tenge worth of debt-claims on mortgage loans and 10 bln tenge worth of 11.75% YTM mortgage-related bonds of Bank CenterCredit JSC at par value.

The loan portfolio (mortgage) and the acquired mortgage-related securities amounted to 53.1 bln tenge at the end of 2018.

MECHANISM OF ACQUISITION OF DEBT-CLAIMS ON MORTGAGE LOANS



1. Banks issue mortgage loans to the population.
2. Banks reassign debt-claims on the provided mortgage loans to MO KMC JCS.
3. MO KMC JCS issues mortgage-backed bonds to raise funding.
4. Investors purchase the mortgage-backed bonds issued by MO KMC JCS.
5. MO KMC JCS repurchases the debt-claims on the newly issued mortgage loans.

IMPLEMENTATION OF NURLY ZHER PROGRAM IN THE PART OF RENT-TO-OWN HOUSING

Since the beginning of 2014, the Company has been doing a lot of construction, acquisition and distribution of rental housing through Nurly Zher program in the part of Rent-to-Own Housing.

Distribution of rental housing is a socially important activity for the Company. It is aimed at providing housing to those on the waiting lists compiled by local executive authorities. The housing is rented out for up to 20 years on the rent-to-own basis.

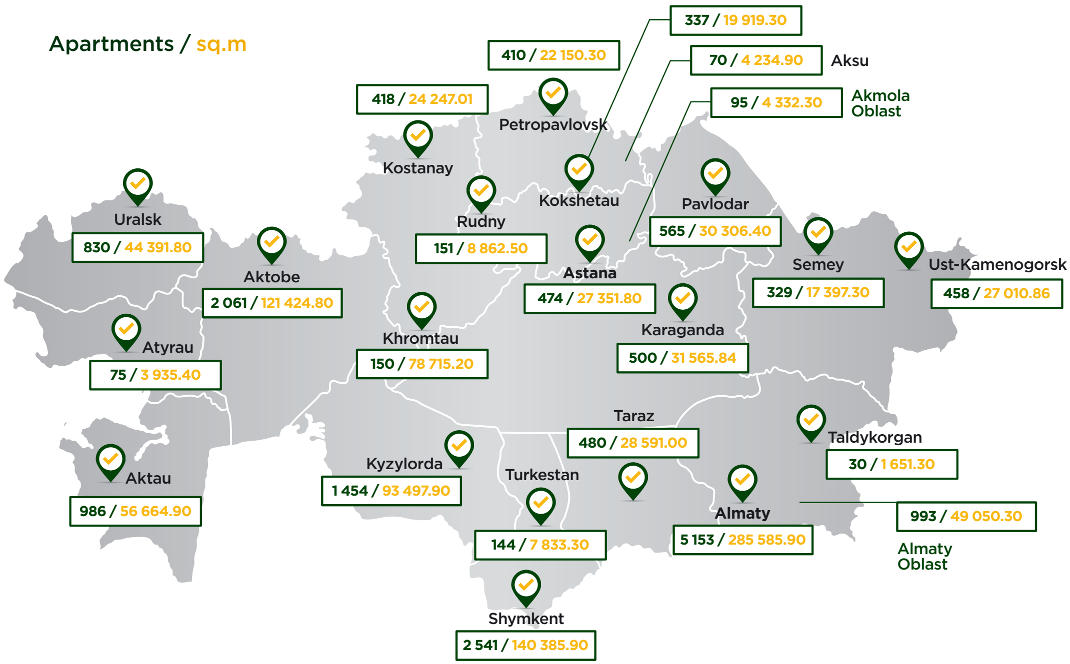
Funding in the amount of 163.3 bln tenge was set aside for this area of activities. Some of this money was raised through loans from the National Fund of the Republic of Kazakhstan provided on favorable terms (115 bln tenge) and from the state budget (19.1 bln tenge), and also through increasing the authorized share capital of the Company by 29.2 bln tenge through the Affordable Housing 2020 program.

In 2019, in compliance with the terms and conditions of the program, the Company is finishing its activities involving acquisition and provision of housing on a rent-to-own basis to people on the waiting lists compiled by local executive authorities and will focus on servicing and maintaining the rental housing stock.

In 2018 the Company commissioned 97,460 sq.m of rental housing which is 1,734 apartments. Between the start of the program and the beginning of the year 2019, the Company commissioned 1054,780 sq.m of rental housing which is 18,583 apartments.

The program is available in more than 20 cities of Kazakhstan, including in Uralsk, Aktobe, Aktau, Kostanay, Petropavlovsk, Nur-Sultan, Karaganda, Kyzylorda, Pavlodar, Semey, Ust-Kamenogorsk, Almaty, Taraz and so on. 17,197 families were supplied with rental housing.

COMMISSIONED RENTAL HOUSING



MECHANISM OF DISTRIBUTING RENTAL HOUSING ON A RENT-TO-OWN BASIS

1. Citizens register with the local executive authorities (through egov website) as applicants for rental housing
2. MO KMC JCS informs the local executive authorities when rental housing becomes available
3. MO KMC JCS signs a Sales Agreement on the rental housing with the local executive authorities
4. The local executive authorities advertise in the media calling people to apply for the rental housing
5. The local authorities select from among the people queuing up for the rental housing and send a list of candidates to MO KMC JCS for solvency assessment
6. MO KMC JCS assesses the solvency of the candidates applying for the rental housing
7. MO KMC JCS signs agreements with the tenants

MORTGAGE LENDING TO THE POPULATION THROUGH AGENT-BANKS, DIRECT MORTGAGE LENDING

To help develop mortgage lending and increase its own mortgage portfolio, the Company launched its own mortgage program called Orda in October 2018.

The program is aimed at improving the housing conditions of individuals with average and above average incomes who would like to acquire more comfortable homes (primary or secondary housing that costs more that 25 mln tenge) at the interest rate below the average market interest rate, who have savings for a down payment or can provide a hard collateral to secure their mortgages.

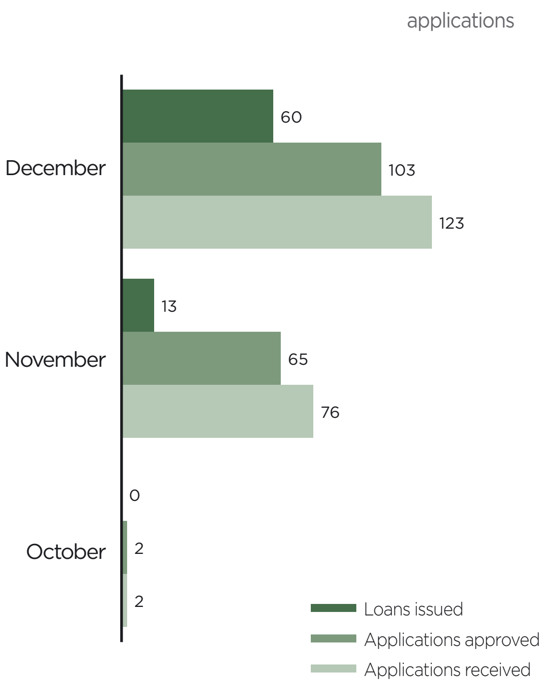
The mechanism of this program made it possible to speed up the process of redeeming mortgages from STBs as the Company offered the banks to optimize the process of transferring the debt-claims and reregistering the rights to collaterals by extending loans to the banks in the name of the Company.

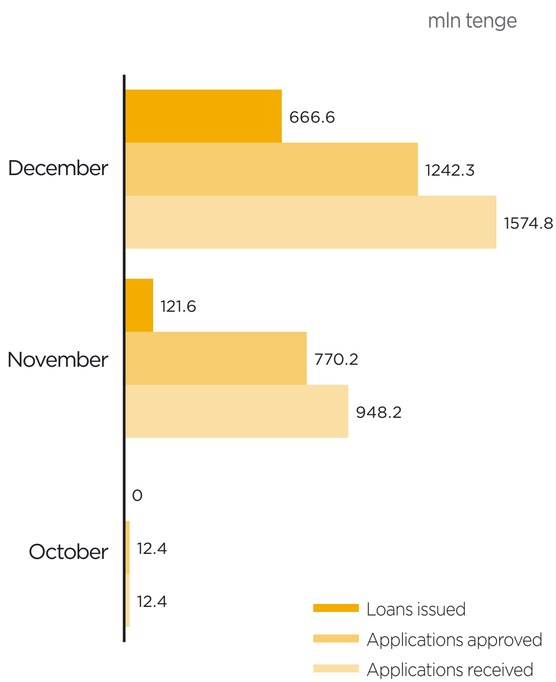
To implement Orda mortgage program the Company entered into agreements with Tsesnabank JSC, Bank CenterCredit JSC, Bank Kassa Nova JSC and Bi Capital LLP.

In October-December 2018, 123 applications for mortgages loans through Orda program totally worth 1,574.8 mln tenge were submitted, 103 of them (totally worth 1,242.3 mln tenge) were approved, and 60 mortgage loans totally worth 666.6 mln tenge were provided.

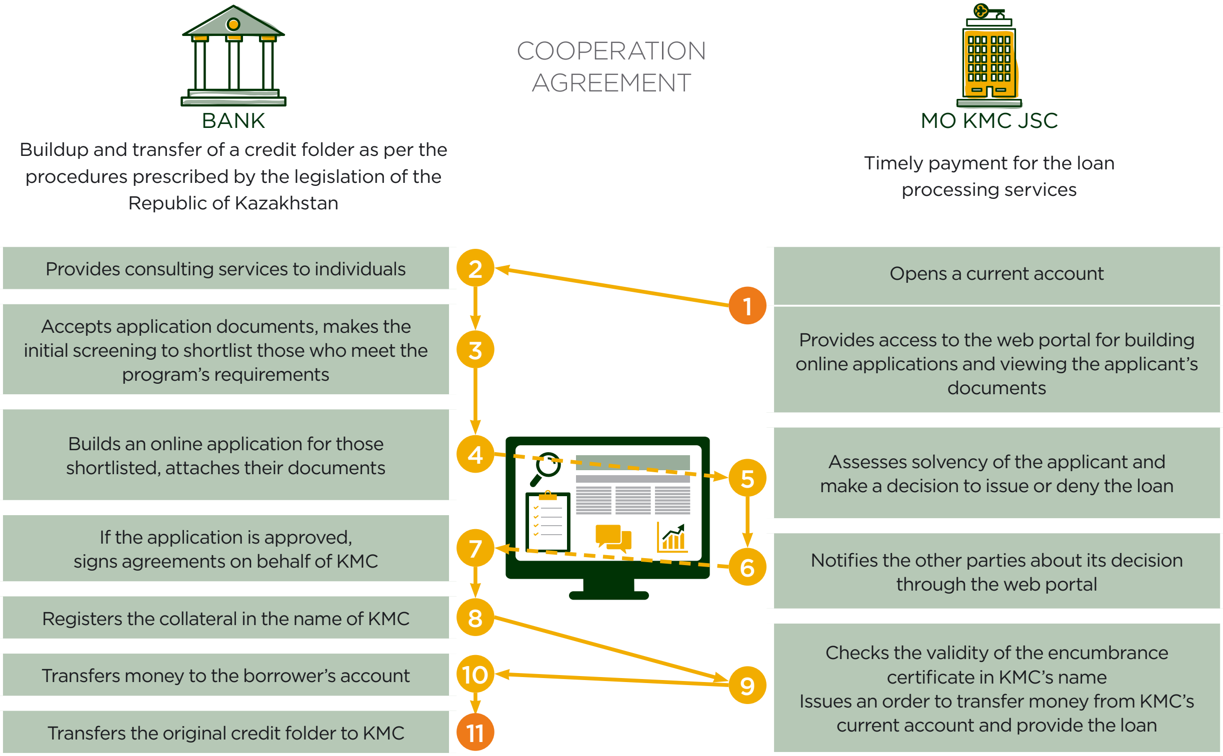
KAZAKHSTAN MORTGAGE COMPANY

APPLICATIONS RECEIVED AND APPROVED, LOANS ISSUED THROUGH ORDA PROGRAM IN OCTOBER-DECEMBER 2018





MECHANISM OF IMPLEMENTATION OF THE COMPANY'S OWN MORTGAGE LENDING PROGRAM ORDA



SUBSIDIZING A PART OF THE INTEREST RATE ON MORTGAGE LOANS

As part of the housing program adopted earlier[12], the Company was made a financial agent for subsidizing a part of the interest rate on mortgage loans.

MECHANISM OF SUBSIDIZING MORTGAGE LOANS ISSUED TO THE POPULATION BY STBS

1. MO KMC JSC receives funds from the state budget for provision of the subsidies
2. A potential borrower provides the required documents to apply for a loan from an STB and an application requesting a subsidy
3. The STB assesses the applicant's solvency and the offered collateral
4. If the STB approves the application, it files a requires to MO KMC JSC asking to provide subsidies to the borrower
5. MO KMC JCS assesses the provided documents, checks them for compliance with Nurly Zher program's requirements and make a decision to grant or deny the subsidies
6. If MO KMC JCS decides to grant the subsidies, it notifies the other parties about its decision and sends a draft agreement on provision of subsidies for the STB to sign with the borrower
7. The STB signs the subsidies agreement with the borrower and issues the mortgage loan
8. MO KMC JSC transfers the agreed amount of subsidies to the STB in advance payments on a monthly basis and pays the borrower's income tax arising from them

[12] *Nurly Zher Housing Construction Program approved by the Decree of the Government of Kazakhstan dated 31.12.2016, № 922.*

During implementation of this task, 3,673 applications totally worth 38.395 bln tenge were received, 3,566 of them (totally worth 37.206 bln tenge) were approved, and 3,473 agreements to subsidize interest rate totally worth 36.242 bln tenge were signed. 7 banks were involved in the program: ATF Bank JSC, Bank CenterCredit JSC, Housing Construction Savings Bank of Kazakhstan JSC, Nurbank JSC, Tsesnabank JSC, SB Sberbank JSC and SO Bank VTB (Kazakhstan).

Upon adoption of Nurly Zher State Housing Construction Program (in effect since 22.06.2018, №372) and the launch of 7-20-25 Program the Company's activities related to subsidizing a part of the interest rate on mortgage loans (provision to subsidies) were discontinued.

MEETING STRATEGIC KPI (PROGRESS REPORT)

№	KPI	2017	2018
Task 1. Stimulating mortgage housing and mortgage-related security markets			
1.	Amount of mortgage loan with interest rates subsidized. bln tenge	12.1	36.24
2.	Number of mortgage loans to purchase new housing with interest rates subsidized	1196	3473
3.	Acquired debt claims / purchased mortgage-related securities. bln tenge	4.1	14.9
4.	Mortgage portfolio* and purchased mortgage-related securities. bln tenge	50.0	53.1
5.	Share of private sector in the mortgage portfolio. %	100	100

№	KPI	2017	2018
6.	Raised capital. bln tenge	15.0	30.9
	Task 2. Meeting the performance targets set by state programs in areas relevant for MO KMC JCS		
7.	Housing covered by support programs (since 2014). thd sq.m	957	1054.7
8.	Rental housing portfolio*. bln tenge	115.7	139.3
9.	Occupancy rate. %	85	100
	Task 3. Enhancing the efficiency of MO MKC JCS's activities		
10.	ROA. %	1.46	1.78
11.	Share of loan and investment portfolios in total assets. %	81.3	73.6
12.	Share of non-state sources of borrowed funding in the borrowing structure during the reporting year. %	100	100
13.	Labor efficiency. mln tenge per person	56.4	68.1

** Book value*

STRATEGIC KPI FOR 2019-2021 (PLAN)

№	KPI	2019	2020	2021
Task 1. Stimulating mortgage housing and mortgage-related security markets				
1.	Acquired debt claims / purchased mortgage-related securities, bln tenge	19.9	20.0	20.0
2.	Mortgage portfolio* and purchased mortgage-related securities, bln tenge	60.9	73.3	86.6
3.	Share of private sector in the mortgage portfolio, %	100	100	100
4.	Raised capital, bln tenge	21.08	6	0
Task 2. Meeting the performance targets set by state programs in areas relevant for MO KMC JCS				
5.	Housing covered by support programs (since 2014), thd sq.m	1148.98	1225.81	1225.91
6.	Rental housing portfolio*, bln tenge	150.2	171.2	171.3
7.	Occupancy rate, %	100	100	100

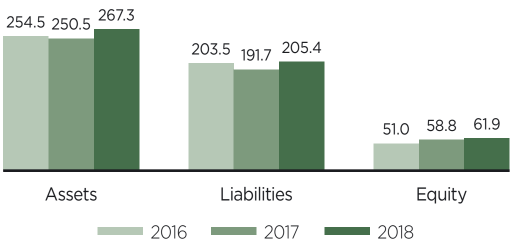
№	KPI	2019	2020	2021
	Task 3. Enhancing the efficiency of MO MKC JCS's activities			
8.	ROA, %	1.91	1.95	2.14
9.	Share of loan and investment portfolios in total assets, %	79.4	91.1	91.8
10.	Share of non-state sources of borrowed funding in the borrowing structure during the reporting year, %	100	100	100
11.	Labor efficiency, mln tenge per person	75.6	96.1	106.4

** Book value*

RESULTS OF OPERATING ACTIVITIES OF THE COMPANY

As of the beginning of 2019 the Company's assets made 267.3 bln tenge, liabilities made 205.4 bln tenge, equity made 61.9 bln tenge, profit made 4.6 bln tenge.

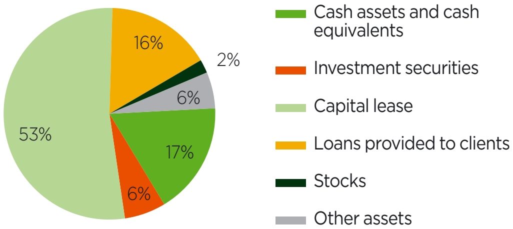
BLN TENGE



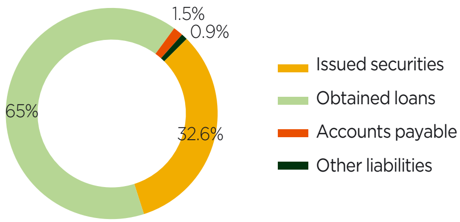
69% of the assets are constituted by the loan portfolio created through acquisition of debt-claims on mortgage loans, direct mortgage lending and receivables on financial leasing (rentals portfolio).

The liabilities are mainly made up by loans obtained from Kazakhstan's Ministry of Finance and Baiterek NMH (65%), and also by the bonds issued by the Company (32.6%). An unsubstantial share of debt is due to accounts payable (1.5%) and other kinds of debts, like tax liabilities (0.9%).

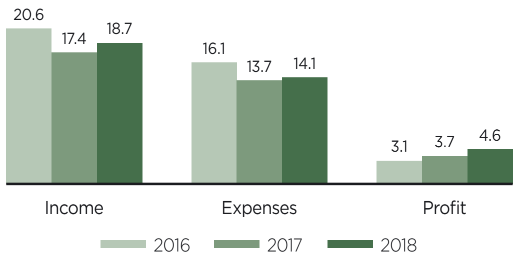
ASSETS STRUCTURE



LIABILITIES STRUCTURE



BLN TENGE

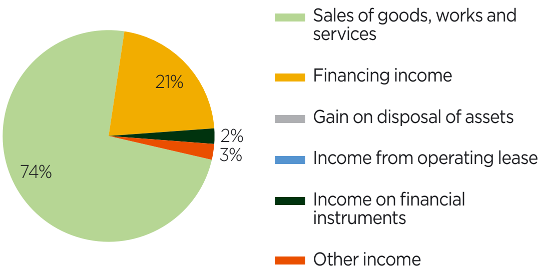


The Company's total income made 18.7 bln tenge in 2018, expenses made 14.1 bln tenge and its net profit made 4.6 bln tenge.

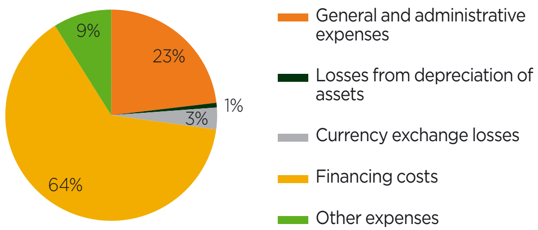
74% of the total amount of income was generated by the sales of goods, works and services.

64% of the total amount of expenses was incurred due to payment of interest rate on deposits, dividends on securities and REPO operations.

INCOME STRUCTURE, %



EXPENSES STRUCTURE, %

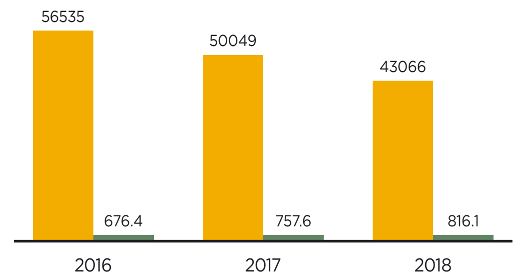


KEY FINANCIAL INDICATORS

№	Financial indicators	2017	2018
1.	EBITDA, bln tenge	10.5	12.8
2.	EBITDA margin, %	85.2	92.6
3.	NI margin, %	21.3	24.6
4.	Equity / Liabilities, %	32.7	30.9
5.	ROA, %	1.46	1.78
6.	ROE, %	6.73	7.65
7.	Net profit, mln tenge	3.6	4.6
8.	Operating profitability, %	29.6	35.7
9.	Weighted average IRR, %	9.56	11.48
10.	Total expenses / Operating income, %	20.1	21.6
11.	Debt / Equity, %	3.26	3.32
12.	Debt / EBITDA, %	18.23	16.11
13.	Provision to loan portfolio ratio, %	2.5	2.85
14.	Net interest margin, %	4.86	3.69
15.	The Company's spread, %	3.56	2.25
16.	Coverage (IC), %	1.9	1.7
17.	Current liquidity ratio, %	4.02	16.07

MORTGAGE PORTFOLIO OF THE COMPANY

MLN TENGE



As of the end of 2018 the Company's mortgage portfolio made 43.1 bln tenge less provisions.

Provisions made for the mortgage portfolio amounted to 4.7 bln tenge.

The Company works with fourteen partners acquiring debt-claims on mortgage loans. These partners include banks and organizations performing certain banking activities.

The portfolio serviced by the Company itself makes 37.8%.

MORTGAGE PORTFOLIO OF THE COMPANY BROKEN DOWN BY PARTNERS

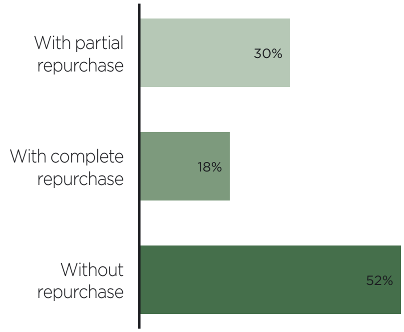
Partner-bank	Gross value, mln tenge	Number of loans	Share in the mortgage portfolio, %
MO KMO JSC	18 065.2	2751	37.83
AsiaCredit Bank JSC	10 609.8	1286	22.22
Eurasian Bank JSC	4 488.6	1913	9.40

Partner-bank	Gross value, mln tenge	Number of loans	Share in the mortgage portfolio, %
ATFBank JSC	3 864.4	1280	8.09
Forte Bank JSC	2 913.1	1753	6.10
Kaspi Bank JSC	2 523.1	1388	5.28
Halyk Savings Bank of Kazakhstan JSC	1 377.4	816	2.88
MO Express Finance JSC	1 038.9	44	2.18
Bank CenterCredit JCS	936.3	677	1.96
Astana Mortgage JSC	632.1	540	1.32
Nurbank JSC	569.8	318	1.19
Tengri Bank JSC	285.9	60	0.60
Cesnabank JSC	281.9	161	0.59
Almaty Regional Mortgage Company JSC	106.8	14	0.22
SB Sberbank JSC	60.1	42	0.13
TOTAL	47 753.27	13 043	100

52% of the total portfolio is made up by the mortgage loans without repurchase obligations.

30% is made up by the loans with partial repurchase obligations (putback of no more than 20% and 25% of the outstanding principal amount of the mortgage loans).

18% is constituted by loans with repurchase obligations (these are mostly mortgage loans issued through the State Housing Construction Development Program in Kazakhstan for 2005-2007).



RENTAL PORTFOLIO OF THE COMPANY

The Company rents out residential buildings through Nurly Zher Program and its Own Program by entering into agreements of financial leasing.

The term of the financial leasing agreements under Nurly Zher Program is 20 years. The rental price caps for the cities of Almaty and Nur-Sultan are 1,120 tenge per 1 sq.m, and in the rest of Kazakhstan they are set to 924 tenge per 1 sq.m.

The term of the financial leasing agreements under the Company's Own Program is also 20 years. The nominal rate of return is 11.5% and 13% respectively.

In 2018 the rental portfolio made 141.1 bln tenge, with 139.3 bln tenge through Nurly Zher Program and 1.8 bln tenge through the Company's Own Program.

RENTAL PORTFOLIO OF THE COMPANY ACROSS TERRITORIES

Regions	Gross value, mln tenge	Share in the rental portfolio, %
Almaty City	47 981.50	33.82
Nur-Sultan City	3 466.60	2.44
Akmola Oblast	3 592.30	2.53
Aktobe Oblast	16 156.40	11.39
Almaty Oblast	8 694.80	6.13
Atyrau Oblast	622.7	0.44
East Kazakhstan Oblast	3 921.30	2.76
Zhambyl Oblast	3 670.40	2.59
West Kazakhstan Oblast	4 192.70	2.96
Karaganda Oblast	2 125.00	1.50
Kostanay Oblast	2 994.00	2.11
Kyzylorda Oblast	10 882.30	7.67
Mangistau Oblast	7 947.00	5.60
Pavlodar Oblast	3 618.00	2.55
North Kazakhstan Oblast	2 732.10	1.93
South Kazakhstan Oblast	19 281.00	13.59
TOTAL	141 878.30	100

THE COMPANY'S MAJOR RESIDENTIAL DEVELOPMENTS

Location: Almaty city, mcr.dstr. Algabas-1
Total area: 86 349.2 sq.m
Number of apartments: 1748
Commissioned on: 21.12.2016

Location: Almaty city, mcr.dstr. Zhas Kanat
Total area: 54656.5 sq.m
Number of apartments: 954
Commissioned on:
31.08.2017 and 05.09.2017

Location: Shymkent city, mcr.dstr. Nursat
Total area: 56 201.4 sq.m
Number of apartments: 1 080
Commissioned on: 19.06.2015

Location: Almaty Oblast, Karasay District, Irgeli town, Asyl-Arman residential estate
Total area: 37 247.9 sq.m
Number of apartments: 708
Commissioned on: 02.03.2015

Location: Shymkent city, mcr.dstr. Asar
Total area: 29580 sq.m
Number of apartments: 522
Commissioned on: 14.09.2016, 19.09.2016, 20.09.2016

Location: Uralsk city, Zhachagansk town, mcr.dstr. Koktem
Total area: 25166.5 sq.m
Number of apartments: 500
Commissioned on: 21.12.2016

Location: Aktobe city, Kargaly town, Kargaly residential estate
Total area: 22511.5 sq.m
Number of apartments: 468
Commissioned on: 08.06.2018

Location: Nur-Sultan city, Yesil District
Total area: 7 620.1 sq.m
Number of apartments: 86
Commissioned on: 06.03.2015

Location: Kokshetau city, Gorkiy Street
Total area: 19 919.3 sq.m
Number of apartments: 337
Commissioned on:
25.06.2015, 26.06.2015

Location: Kyzylorda city
Total area: 18 307.1 sq.m
Number of apartments: 270
Commissioned on: 12.05.2016

Location: Taraz city, mcr.dstr. Atshabar
Total area: 15 810.1 sq.m
Number of apartments: 210
Commissioned on:
04.07.2015, 22.09.2015, 28.10.2015

Location: Turkestan city, Block 160
Total area: 7833.3 sq.m
Number of apartments: 144
Commissioned on: 29.12.2016

THE COMPANY'S SECURITIES PORTFOLIO

The Company's securities portfolio includes government securities (long-term treasury bills of Kazakhstan MEUKAM) and non-government securities (bonds issued by banks and other companies). The carrying value of the securities portfolio was 16.8 bln tenge as of 01.01.2019.

Name	Carrying value, tenge	Coupon, %	Number of securities	Acquisition cost, tenge
MEUKAM treasury bills (of the Ministry of Finance of Kazakhstan)	1 498 927 591.96	5.57	1 429 400	1 867 864 150.74
Coupon bonds of Fincraft Resources JCS	966 181 901.96	9.30	11 936 306	1 074 999 951.73
Subordinated coupon bonds of Kaspi Bank JSC	2 052 732 000.00	7.30	20 000 000	2 550 265 333.33
Secured coupon bonds of Bank CenterCredit JSC	10 620 243 513.34	12.00	100 000 000	10 163 207 300.00

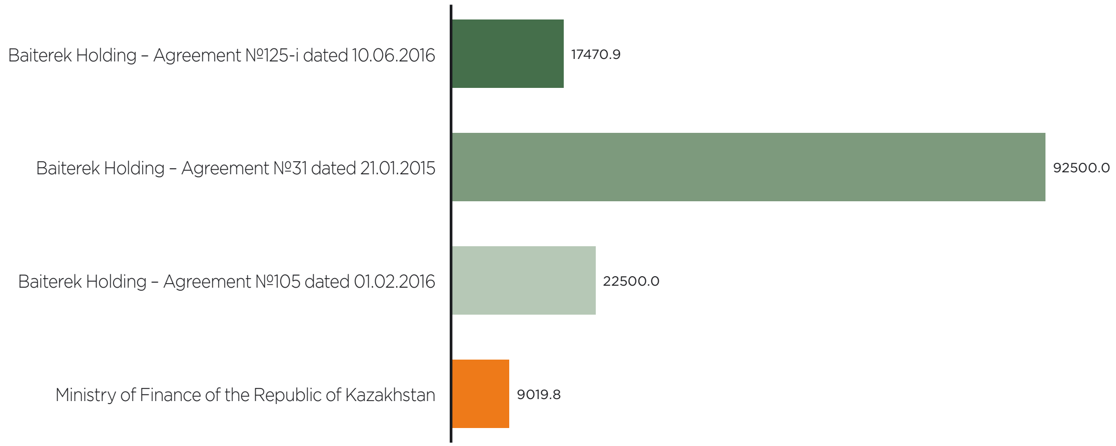
Name	Carrying value, tenge	Coupon, %	Number of securities	Acquisition cost, tenge
Subordinated coupon bonds of Eurasian Bank JSC	617 143 547.20	6.90	7 860 800	1 000 020 930.28
Coupon bonds of Eurasian Bank JSC	1 128 167 787.16	6.90	13 634 200	1 415 709 276.26
Coupon bonds of Special Financial Company DSFK LLP	235.17	0.01	211 382 823	213 228 876
TOTAL	16 883 396 576.79		1 067 638 529*	18 285 295 818.34

** Including securities whose book value is 0.*

THE COMPANY'S BORROWING

As of 01.01.2019, the Company's borrowings made 141.5 bln tenge:

- a government loan of 9 bln tenge from the Ministry of Finance (lending purpose: to decrease the cost of funding raised through issuing bonds meant for the Borrower to acquire debt claims on mortgage loans (meeting the Borrower's requirements) extended by second-tier banks);
- a loan term loan of 132.5 bln tenge from Baiterek NMH JSC (lending purpose: construction and acquisition of housing to subsequently rent it out).



REPAYMENT OF THE PRINCIPAL AND PAYMENT OF INTEREST ON THE LOANS

- On May 25, 2018 the Company made an overpayment towards the long-term loan from Baiterek NMH JSC in the amount of 1 621 372 019.47 tenge.
- On January 22, 2018 the Company paid the interest rate on the long-term loan from Baiterek NMH JSC in the amount of 58 968 750.00 tenge.
- On January 25, 2018 the Company made a payment of interest on the long-term loan from Baiterek NMH JSC in the amount of 14 343 750.00 tenge.
- On June 11, 2018 the Company made a payment of interest on the long-term loan from Baiterek NMH JSC in the amount of 24 256 536.91 tenge.
- On July 23, 2018 the Company made a payment of interest on the long-term loan from Baiterek NMH JSC in the amount of 58 968 750.00 tenge.
- On July 25, 2018 the Company made a payment of interest on the long-term loan from Baiterek NMH JSC in the amount of 14 343 750.00 tenge.
- On December 24, 2018 the Company made a payment of interest on the government loan in the amount of 9 019 821.17 tenge.

THE COMPANY'S SECURITIES

ISSUE AND FLOATING OF BONDS

In 2018 The Company placed 11.356 bln tenge worth of bonds (KZIKb27, NIN KZ2C0Y10F013) through the Kazakhstan Stock Exchange, and 20.0 bln tenge worth of bonds (KMC.1233, ISIN KZX000000054) though Astana International Financial Center.

The Company raised a total of 30.9 bln tenge at par value through these issues.

REDEMPTION OF BONDS AND INTEREST PAYMENT

- On January 08, 2018 the Company made an interest payment on the 9th issue of NIN KZ2C0Y08D913 bonds (KZ2C00000180) in the amount of 500 000 000.00 tenge.
- On February 06, 2018 the Company made an interest payment on the 13th issue of NIN KZ2C0Y07E517 bonds (KZ2C00002160) in the amount of 425 000 000.00 tenge.
- On February 06, 2018 the Company made an interest payment on the 12th issue of NIN KZ2C0Y05E503 bonds (KZ2C00002178) in the amount of 316 819 999.96 tenge.
- On April 12, 2018 the Company made a coupon payment on KZ2C0Y08E218 bonds (KZ2C00001741, KZIKb23) in the amount of 227 745 000.00 tenge.
- On June 27, 2018 the Company made a coupon payment on KZ2C0Y10F013 bonds (KZ2C00003333, KZIKb27) in the amount of 756 000 000.00 tenge.
- On July 04, 2018 the Company made an interest payment on the 9th issue of NIN KZ2C0Y08D913 bonds (KZ2C00000180) in the amount of 500 000 000.00 tenge.
- On August 06, 2018 the Company made an interest payment on the 13th issue of NIN KZ2C0Y07E517 bonds (KZ2C00002160) in the amount of 425 000 000.00 tenge.

- On August 06, 2018 the Company repaid the principal amount and made a coupon payment on the 12th issue of NIN KZ2C0Y05E503 bonds (KZ2C00002178) in the amount of 8 237 319 998.96 tenge: the interest payment made 316 819 999.96 tenge, the payment of the principal amount made 7 920 499 999.00 tenge.
- On October 04, 2018 the National Bank of the Republic of Kazakhstan declared the Company's bond issue KZ2C0Y05E529 (KZ2C00002152, KZIKb26) cancelled.
- On October 12, 2018 the Company made a coupon payment on KZ2C0Y08E218 bonds (KZ2C00001741, KZIKb23) in the amount of 227 745 000.00 tenge.
- On December 27, 2018 the Company made a coupon payment on KZ2C0Y10F013 bonds (KZ2C00003333, KZIKb27) in the amount of 1 018 500 000.00 tenge.

SUSTAINABLE DEVELOPMENT OF THE COMPANY

Solving sustainable development tasks the company acts in accordance with its mission, strategic development goals and international standards of conduct and sustainable development practices. The Company views sustainable development principles and practices adopted by the international society as an essential prerequisite ensuring that all its activities are carried out in line with best international norms and will serve to achieve its sustainable development goals.

SUSTAINABLE DEVELOPMENT OF MO KAZAKHSTAN MORTGAGE COMPANY

Economic component

1. No loss-making;
2. Safeguarding the interests of shareholders and investors;
3. Enhancing the efficiency of processes;
4. More investments into creating and developing more advanced technologies;
5. Improving labor efficiency.

Social component

1. Ensuring transparency of tendering procedures and providing equal opportunities when hiring;
2. Providing fair remuneration and respecting employee rights;
3. Ensuring workplace safety and protecting the health of employees;
4. Providing for training and professional development of employees;
5. Implementing in-company social programs and community social programs.

Ecological component

1. Minimizing the negative impact on environment;
2. Optimizing the use of limited natural resources;
3. Using environmentally-friendly and energy- and material-saving technologies.

PRINCIPLES OF SUSTAINABLE DEVELOPMENT

In its activities the Company is guided by sustainable development principles put down in its Corporate Code: openness, accountability, transparency, ethical conduct, safeguarding the interest of all the involved parties, rule of law, respect for human rights, intolerance for corruption, inadmissibility of conflict of interests.

The Company declares its adherence to the principles of the United Nations Global Compact:

In protection of human rights. The Company safeguards and respects the core international human rights and ensures noninvolvement in violation of human rights.

In workplace relations. The company supports and acknowledges the right to enter into collective agreements and the freedom of collective bargaining, and works towards eradication of forced and child labor and workplace discrimination.

In protection of environment. The Company supports prudent and cautious approach to ecological issues, initiates projects aimed at promoting responsible attitude towards the state of the environment, and facilitates development and popularization of environmentally safe technologies.

In fighting corruption. The Company declares its intolerance for all forms and manifestations of corruption and other illegal activities including extortion and bribery, and takes all the necessary measures to prevent such things from happening.

INTERACTION WITH PARTIES OF INTEREST

LIST OF PARTIES OF INTEREST

Parties of interest	Characteristics
INNER CIRCLE	
Sole shareholder	Baiterek National Managing Holding JSC
Management	Members of the Board of Directors, Chairman of the Management Board, Members of the Management Board, managing directors and the Company's Chief of Staff who are not members of the Management Board
Personnel	The Company's general staff united by common goals of financial and operational activities and business processes
Representatives of workers' association	Representatives authorized by the general staff meeting to represent and protect labor and employment rights of the employees, enter into collective bargaining with the employer, participate in settling labor disputes between employees and the employer in the manner prescribed by the collective agreement and the legislation of the Republic of Kazakhstan
Partners	Legal entities (and associations of legal entities) that take part in mutually beneficial cooperation with the Company, including the Company's strategic partners
Clients	Legal entities or individuals that procure/use the services of the Company

Parties of interest	Characteristics
OUTER CIRCLE	
Government authorities / Regulator	Ministries of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan
Competitors	Legal entities or individuals whose sphere of operations, interests and goals are identical to the sphere of operations, interests and goals of the Company
Investors	Legal entities and/or individuals involved in investment activities who invest their own, borrowed or other raised funds into the Company's investment projects
Financial Institutions	Second-tier banks and other organizations performing certain banking operations, including mortgages companies, insurance companies and etc.
Suppliers	Individuals conducting entrepreneurial activities, legal entities (except state-run institutes unless otherwise provided for by the legislation of the Republic of Kazakhstan), temporary associations of legal entities (consortiums) acting as parties to the Company's procurement agreements
Population	People living in the areas of the Company's operations
Non-governmental organizations	Social associations, non-governmental institutions and etc.
Media	Sources of daily news and information (newspapers, magazines and electronic media outlets like the Internet, radio, TV)

PRINCIPLES OF IDENTIFICATION AND SELECTION OF PARTIES OF INTEREST

The Company is guided by the following principles when identifying and selecting the parties of interest:

- **dependence:** groups of interested parties that largely depend on the Company's activities
- **responsibility:** the parties that the Company bears responsibilities to (under contracts, agreements and etc.)
- **influence:** interested parties that have a lot of influence on the activities and performance of the Company
- **strategic priorities:** interested parties whose cooperation is important in the light of the Company's strategic outlook

FORMS OF INTERACTOIN WITH THE PARTIES OF INTEREST

Company	1. The company provides accurate information about the results of its financial and operation activities in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Articles of Association and Bylaws of the Company; 2. The Company ensures that the Sole Shareholder can exercise its rights within the framework of the corporate governance principles to ensure efficient making of key decisions; 3. The Company provides additional information on its plans, performance and problems, as well as data obtained in the course of research done by other organizations into the Company's activities, except for confidential information obtained from other organizations under nondisclosure and/or confidentiality contracts and/or agreements. 4. The Company participate in international credit ratings.	Shareholders and government authorities

Company	1. The Company provides an adequate degree of disclosure of relevant information about its financial condition, dividend policies, credit history and development prospects; 2. Financial and management statements are timely made and provided in accordance with the legal and regulatory requirements, with financial statements audited by independent auditors; 3. Information about the role of the Sole Shareholder and other interested parties (national and local executive authorities), control procedures and transaction approval procedures with interested parties is kept public, transparent and available; 4. Approaches to making investment and strategic decisions are proactively communicated by the Company; 5. The Company diligently performs its contractual obligations to its business partners; 6. The Company ensures information transparency, openness, equality, fairness, nondiscrimination and avoids unreasonable limitation of competition in strict compliance with the legislation of the Republic of Kazakhstan; 7. The Company adheres to the principles of corporate governance and to improving the system of corporate governance in accordance with the best international practices.	Investors and contracting parties
	1. The Company's services are made available to customers; 2. The Company ensures security of customer data and commercial information safeguarding them from leaks and misuse; 3. The Company provides services of the same quality and makes the same level of service accessible to all groups of customers without discrimination; 4. The Company facilitates improvement of the quality of service to the public constantly striving for higher customer service standards; 5. The Company informs customers about new instruments and principles of its work on a regular basis; 6. The Company helps improve the financial literacy of the population and its customers to the best of its abilities and in understandable formats.	Clients and customers

Company	1. The Company ensures open and transparent personnel policy aimed at forming qualified and motivated staff; 2. The Company provides equal opportunities to all its employees for personal fulfillment through the work for the company and makes unbiased and fair evaluation of their performance; 3. The Company ensures that hiring and promotion of employees is done exclusively on the basis of their professional capacities, knowledge and skills; 4. Efficient communication and interaction of employees is ensured through corporate sources of periodic information and communication channels, including the Company's intranet, through regular surveys of the employees' opinions and close consideration of their suggestions, and through organizing workgroups.	Company's staff
	1. The Company efficiently and promptly interacts with the public, including by organizing regular meetings (roundtable discussions, briefings, conferences); 2. The Company actively participates in implementation of socially important projects; 3. The Company promptly provides full answers to inquiries that it gets from individuals and legal entities; 4. When providing sponsor aid or charity, the Company provides aid to disadvantages groups of society and underprivileged citizens to help revive national values, support culture, science and education.	Community

MAIN ACTIVITIES INVOLVING INTERACTION WITH THE PARTIES OF INTEREST IN 2018

Disclosure of information

- Disclosure of information about the Company's activities is effected in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Articles of Association and provisions of the Disclosure Policy of Mortgage Organization Kazakhstan Mortgage Company JSC approved by the resolution of the Management Board dated November 20, 2015, №61 (provision of quarterly, semiannual and annual reports and other materials to the Sole Shareholder, government authorities and the National Bank of the Republic of Kazakhstan).

Participation in conferences and international forums

- In 2018, the Company took part in the 8th Global Housing Finance Conference held by the World Bank in Washington, USA. The theme of the conference was Breaking the Mold – New Ideas for Financing Affordable Housing. The conference was dedicated to relevant issues related to ensuring availability of affordable housing to broad segments of population and using innovative approaches in mortgage lending. Following the conference's panel discussions, experts from Japan, Korea, Kazakhstan, India, Azerbaijan, Malaysia, Kenya, Jamaica, Mongolia, Algeria, Kyrgyzstan, Tanzania, Nigeria and other countries made a decision to establish the International Secondary Mortgage Market Association (ISMMA). The purposes behind creating this association included exchanging experience and jointly searching for ways to ensure stable development of housing financing. The Company was elected plenipotentiary representative of the countries of Central Asia and Caucuses in the ISMMA.
- The Company is an honorary member of the Asian Secondary Mortgage Market Association (ASMMA). National Mortgage

Corporation of Malaysia Cagamas Bhd, Japan Housing Finance Agency, Korea Housing Finance Corporation, Mongolian Mortgage Corporation, National Home Mortgage Finance Corporation (Philippines), PT Sarana Multigriya Finansial (Indonesia) and Secondary Mortgage Corporation (Thailand) are also members of this association[13].

- In September 2018 the Company was one of the organizers of the international conference called Management, Maintenance and Modernization of the Housing Stock in Central Asian Countries along with UNDP. The Company presented a report called Experience of Managing Rental Housing at the conference.
- The Company organized working meetings with representatives of the State Mortgage Company of Kyrgyzstan and the Mortgage and Credit Guarantee Fund of Azerbaijan. The goal of the meetings was to exchange experience in developing mortgage lending markets.

Participation of interested parties in monitoring and assessing the Company's activities

- External audit of the Company is done by KPMG Audit JSC;
- To optimize and systematize its management reporting, in October 2018 the Company contracted an IT consulting firm to develop the Situation Center for Monitoring and Reporting software package (a unified data repository system and business analytics software). There are now four modules in the Situation Center for Monitoring and Reporting: Treasury, Rent, Budgeting, KPI;
- Surveys of engagement and satisfaction rates of employees of NMH Baiterek JSC subsidiaries are done by Ernst and Young consulting firm;
- Reputation audit of the company to assess the level of population's trust that the Company enjoys is dong by Keycom Image LLP;

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[13] *Asian Secondary Mortgage Market Association (ASMMA) was created in September 2014. It is a nonprofit organization open for all secondary mortgage corporations (organizations) in Asia. The mission of the association is to provide a framework and platform for exchange of ideas, opinions and experience in order to facilitate the development of real estate markets in the member-countries, improve the terms of mortgage lending and enhance the quality of life.*

- The Company's credit ratings are awarded and reaffirmed by the rating agencies Fitch and Moody's.

Ensuring effective communication and interaction with employees

- To streamline in-house communications and improve work motivation, the Company organized the following events in 2018:
  - Business breakfast with the Chairman of the Board and five-o'clock tea with the Deputy Chairman of the Board;
  - Sport events: table tennis mini-tournament and an annual bowling tournament among the Company's teams;
- All the Company's employees are kept constantly informed about the Company's activities, strategies, social policies, new projects and tasks, and changes through electronic document flow and quarterly corporate newspaper;
- Employee performance evaluation system is in place to carry out regular monitoring of their progress; interviews and meetings with employees are held to get and provide feedback;
- To facilitate in-house communication, the Company uses its intranet that makes information about the Companies activities, new products and events available to the staff along with photos and videos from past events. The website is also used to run contests, opinion polls and voting among employees. Information and media files on the in-house website are kept up to date; new contests are announced on a regular basis. In 2018 the in-company website had 11,950 views.

Improvement of customer service

To improve the quality of interaction with customers and the service provided by the Company, the following developments were introduced in 2018:

- Personal cabinets for customers on the website;
- Mobile app;
- Acceptance of payments from certain banks and other partners (Halyk Bank,

ForteBank, KazPost, Kassa24, Cyberplat, RPS);

- Availability of information to the customers was enhanced (call center was modernized).

Development of cooperation

- As part of implementation of its new mortgage lending program Orda, the Company entered into cooperation agreements with Tsesnabank JSC, Bank CenterCredit JSC, Bank Kassa Nova JSC and BI Capital LLP.

Public relations

- The Company participated in the Annual National PR Award Ak Mergen-2018 in the Nomination for the Best Project in Promotion of State, Nongovernmental and Social Programs.

Processing customer complaints

- The Company continuously works on improving the efficiency of the internal control system that monitors the quality of provided services and the speed with which issues related to violation of consumer rights are resolved.
- In 2018, the Company received 17,182 inquiries including 137 complaints from customers.
- 88% of the customers' complaints were related to the quality of the housing provided through the Rent-to-Own Program. The Company took steps to eliminate the drawbacks that were causing grievances to its customers by sending letters to the contractors (developers), tenants and managing companies requesting them to correct the defects in the housing.
- In 2018, the number of inquiries related to violation of customer rights (complaints) that the Company received decreased by 7% compared to the year 2017. Most part of the complaints was about the quality of the housing, just like in 2017.
- In 2018, the Company was not subjected to administrative and/or other liabilities for nonperformance and/or insufficient performance of its obligations related to the inquiries received from the customers; no lawsuits related to violation of customer rights were filed against the Company.

PERSONNEL MANAGEMENT

PERSONNEL STRUCTURE

Average Staff Number Dynamics for 3 Years

	2016	2017	2018
Average staff number, people	263	224	203

Personnel Breakdown by Age (2018)

	До 30 лет	От 30 до 50 лет	Свыше 50 лет
Men	14	70	10
Women	16	95	3

New Employees Who Joined the Company in 2016–2018

	2016	2017	2018
Total number of new employees who joined the Company within the specified period, people	65	51	46
Staff turnover, %	30.3	25.4	14.8

Member of Governing Bodies in 2018

	under 30 y.o.		from 30 to 50 y.o.		over 50 y.o.	
	men	women	men	women	men	women
Board of Directors			5		2	
Management Board			3	1		

TRAINING AND DEVELOPMENT

Personnel Training

	2016	2017	2018
Training expenses, thd. tenge	6524	7607	22371
Number of trained employees, people	209	216	238
Training expense per employee*, thd. tenge	31	35	93

** Based on the average staff number*

OCCUPATIONAL HEALTH AND SAFETY

No cases of workplace injuries were recorded.

Actions taken in 2018 to enhance compliance with workplace health and safety rules:

- In 2018, 6 employees of the Company underwent training on Occupational Health and Safety and Safety Rules and received relevant certificates at The National Center for Training and Career Enhancement;
- The Company runs an ongoing program aimed at maintaining safe workplace environment: introduction briefings on occupational health and safety are held (the meetings are registered in a special log) for newly hired employees and annual briefings are held for the entire staff according to payroll schedule; refresher briefings on occupational health and safety are held (the meetings are registered in a special log) at least once every half a year for the entire staff according to payroll schedule; practical and theoretical civil safety trainings (civil defence and emergency situations training) are annually held by the Company; besides, the entire staff is briefed on fire safety in the Company (the meetings are registered in a special log);
- To ensure fire safety compliance the Company has a firefighting team that is part of the civil defence force (approved by the order of the Chainman of the Company's Management Board № 49 dated 31.01.2018); people responsible for fire safety compliance in the Company are appointed (approved by the resolution of the Company's Management Board № 92 dated 05.12.2018);
- The Company's responsible team weekly reminds the staff about the need to comply with fire safety rules during holidays and at weekends by sending notifications through Documentolog, the electronic document flow;
- Scheduled exercises to Practice Organizing Evacuation of the Company's Staff in Case of Fire were held;

- The exercise plan covered to the following: practice of evacuation procedures of the Company's staff upon hearing the fire alarm, tests for employee to check their knowledge of procedures to be followed in case of fire or a need for self-rescue in an emergency situation, a demonstration of the use of an OU-5 fire extinguisher on a specially created fire area, training on how to use GP-5 gas masks.

SOCIAL SUPPORT

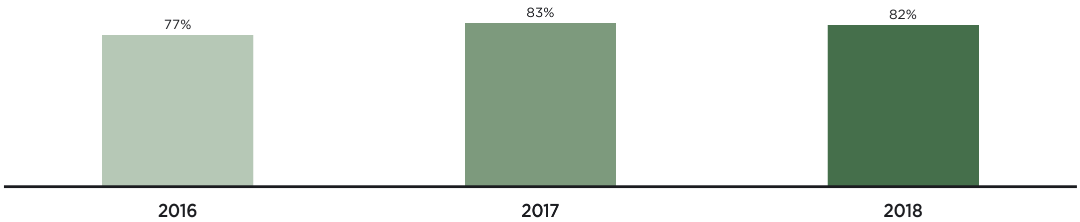
Areas of Social Support for the Company's Employees and Structure of Expenses

Areas of social support	2016	2017	2018
Medical insurance, thd. tenge	26 340	17 913	29 202
Accident insurance for employees, thd. tenge	688	728	626

CORPORATE CULTURE

The survey of the engagement and satisfaction rates of the Company's employees carried our by Ernst and Young Kazakhstan LLP showed that the level of satisfaction and engagement of the Company's staff in 2018 made 82%.

THE COMPANY'S EMPLOYEE ENGAGEMENT AND SATISFACTION RATE



ENVIRONMENT PROTECTION

In its activities the Company strives to adhere to the principles of considerate and rational attitude to environment, helping prevent negative influences on environment.

When participating in implementation of housing construction programs, the Company takes social and ecological factors influencing the environment into consideration. Housing construction projects funded by the Company use only recommended comfort and safety technologies that comply with the standards and rules of the Republic of Kazakhstan. This ensures rational use of resources and minimizes ecological risks.

In 2018, the Company received no fines for non-compliance with the environmental legislation of the Republic of Kazakhstan.

ACTIONS AIMED AT REDUCING THE RESOURCE CONSUMPTION

In 2018, the Company implemented measures to automate and optimize its business processes related to document flow. The ultimate goal of these steps was to reduce the use of paper and energy. Key actions included the Paper-Free project (paperless document flow) and Corridor Printing project.

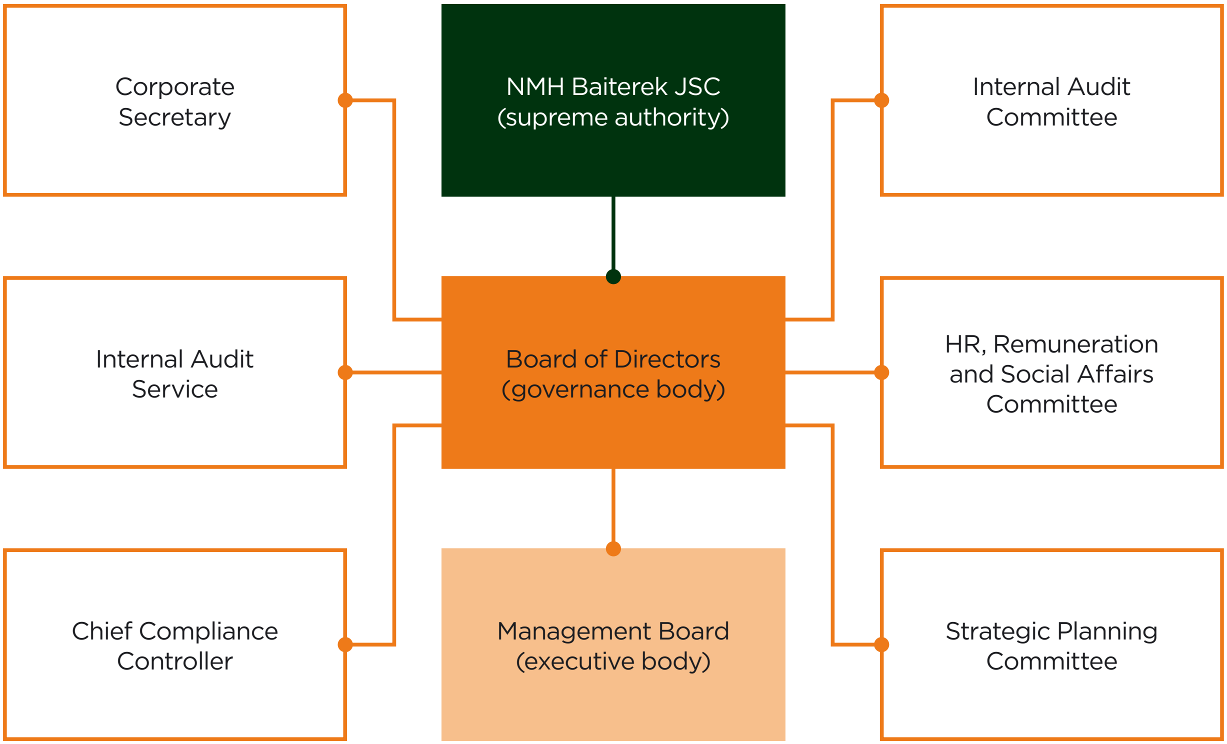
CONTRIBUTION INTO DEVELOPMENT OF REGIONS

SOCIOECONOMIC RESULTS

Activities	Related state program	Socioeconomic effect
Refinancing mortgage loans	Mortgage loans refinancing program of the National Bank of the Republic of Kazakhstan	73 loans totally worth 322.9 mln tenge were refinanced
Provision of rent-to-own housing	Nurly Zher program	1054.7 sq.m of rental housing (18,583 apartments) was commissioned. 17,197 families were provided with rental housing.

CORPORATE GOVERNANCE

STRUCTURE OF THE COMPANY'S GOVERNING BODIES



National Managing Holding Baiterek JSC is the Company's Sole Shareholder. As on January 1, 2019 it owned 100% of the Company's voting shares.

The Board of Directors is a governing body that executes general governance and management of the Company, except for the issues placed within exclusive competence of the Sole Shareholder of the Company by Kazakhstan's Law on Joint Stock Companies and/or the Company's Articles of Association.

The Sole Shareholder elects members of the Company's Board of Directors in accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Company's Articles of Association and Bylaws with due consideration given to the competences, skills, achievements, business reputation and professional experience of presented candidates.

According to the Law on Join Stock Companies of the Republic of Kazakhstan, independent directors have to meet the following criteria:

- Not to be affiliated persons of the Company at the time of and for three years before their election to the Board of Directors, and not to be affiliated persons of the affiliated persons of the Company;
- Not to be subordinate to the Company's officers or organizations that are affiliated to the Company at the time of and for three years before their election to the Board of Directors;
- Not to be civil servants;
- Not to be representatives of the Shareholder at meetings of the Company's bodies at the time of and for three years before their election to the Board of Directors;
- Not to participate in the Company's audits as auditors operating as part of its auditing firm at the time of and for three years before their election to the Board of Directors.

The requirements that independent directors have to comply with are set for by the legislation of the Republic of Kazakhstan, the Company's Articles of Association and Bylaws.

BOARD OF DIRECTORS

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

The following changes were made in the composition of the Board of Directors in 2018:

- By the resolution of the Management Board of Baiterek NMH JSC (Minutes dated 24.01.2018 № 02/18), Aidar Arifkhanov was removed from the Board of Directors and replaced with Galymzhan Tadzhiyakov;
- By the resolution of the Company's Board of Directors (Minutes dated 23.01.2018 №1), Galymzhan Tadzhiyakov was elected Chairman of the Board of Directors of the Company;
- By the resolution of the Management Board of Baiterek NMH JSC (Minutes dated 31.01.2018 № 03/18), Kairbek Uskenbayev was removed from the Board of Directors;
- By the resolution of the Management Board of Baiterek NMH JSC (Minutes dated 06.02.2018 № 05/18), Nurzhan Nurlanov was elected member of the Board of Directors of the Company.

As on April 1, 2018 the Board of Directors operated in the following composition: Chairman of the Board of Directors Galymzhan Tadzhiyakov, members of the Board of Directors: Nurzhan Nurlanov, Zhandos Shaimardanov, Adil Mukhamedzhanov, Jacek Brzezinski, Yerbolat Ospanov, Nurlan Tokobayev.

COMPOSITION OF THE BOARD OF DIRECTORS

Galymzhan Tadzhiyakov

Chairman of the Board of Directors

Year of birth: 1982.

Citizen of the Republic of Kazakhstan.

Professional experience: since 2003 held various positions at ABN AMRO Bank Kazakhstan JSC, Kaspi Bank JSC, HSBC Bank Kazakhstan JSC, Citibank Kazakhstan JSC, Eurasian Development Bank. During the period from July 2016 to January 15, 2018 held the position of Managing Director at NMH Baiterek JSC. Was appointed Deputy Chairman of the Board of NMH Baiterek JSC starting from January 15, 2018.

Education: higher education (Economics):

- Durham University Business School (UK);
- Ryskulov Kazakh Economic University (Almaty, Kazakhstan).

Nurzhan Nurlanov

Member of the Board of Directors

Year of birth: 1988.

Citizen of the Republic of Kazakhstan.

Professional experience: on January 29, 2018 was appointed Managing Director of NMH Baiterek JSC. Before that held the positions of Investment Cooperation Department Director, Regional Cooperation Office Managing Director at the National Agency for Export and Investments JSC, worked as Expert in the Department of Regional Development in the Prime-Minister's Office of the Republic of Kazakhstan, was Managing Director at KazTransGaz JSC, Deputy Director General for Technical Policies at KazTransGaz JSC.

Education: higher education (Economics):

- Satpayev Kazakh National Research Technical University;
- University of Wales (UK);
- American InterContinental University (London, UK).

Zhandos Shaimardanov

Member of the Board of Directors

Year of birth: 1987.

Citizen of the Republic of Kazakhstan.

Professional experience: starting from April 2017 was appointed Asset Management Department Director at NMH Baiterek JSC. Before that held the positions of Analysis and Research Department Director at NMH Baiterek JSC, Advisor to the Ministry of Economy and Budget Planning, Manager in the Department of Economy and Planning of Samruk-Kazyna National Welfare Fund, Chief Expert in the Department of Budget Policies and Planning of the Ministry of Economy and Budget Planning.

Education: higher education (Economics):

- York University (Canada).

Adil Mukhamedzhanov

Member of the Board of Directors

Year of birth: 1981.

Citizen of the Republic of Kazakhstan.

Professional experience: in September 2016 was appointed Chairman of the Board of the Company. Before that held different positions in KazTransOil JSC, was a member of the Board of Directors of Caspian Energy Inc., AsiaCredit Bank JSC, Vice President of Aral Petroleum Capital JSC, Chairman of the Board of Otan Open Savings Pension Fund JSC.

Education: higher education (Economics):

- University of Nottingham (UK);
- Ryskulov Kazakh Economic University (Almaty, Kazakhstan).

Jacek Brzezinski

Independent Director – Member of the Board of Directors

Year of birth: 1955.

Citizen of Austria.

Professional experience: independent director at TsesnaBank Capital (Nur-Sultan), Kazyna Capital Management (Nur-Sultan), Sberbank Serbia (Belgrade), Tsesna Garant JSC (Almaty), Tsesnabank JSC (Nur-Sultan).

Education: higher education (Economics), holds a Master's degree and a PhD in Economics.

Yerbolat Ospanov

Member of the Board of Directors – Independent Director

Year of birth: 1967.

Citizen of the Republic of Kazakhstan.

Professional experience: currently CEO of Borgata Mayer Inc. Before, worked in Kazakhinstrakh PLLC, KazMunayGas Trading House JSC, NC KazMunayGas JSC, Agip Kazakhstan North Caspian Operating Company N.V., KMG Kashagan B.V.

Education: higher education (Economics):

- University of California Los Angeles (USA);
- Ryskulov Kazakh State Academy of Management (Almaty, Kazakhstan);
- Kirov Kazakh State University.

Nurlan Tokobayev

Member of the Board of Directors – Independent Director

Year of birth: 1974.

Citizen of the Republic of Kazakhstan.

Professional experience: currently a member of the Board of Directors – Independent Director of Kazakhstan Project Preparation Fund JSC, Optima Bank PLC (Kyrgyzstan). Before, held various positions at the National Bank of the Republic of Kazakhstan, was the Director of the Department for Regulation of Securities Market and Pension Funds at the Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Market and Financial Organizations, Advisor to the Chairman of the Board of Astana-Finance JSC, Chairman of the Board of Commercial Bank Credit-Standard JSC (Uzbekistan), Chairman of the Board of Directors of Commercial Bank Credit-Standard JSC (Uzbekistan), Independent Director of Visor Capital JSC, Independent Director of Advance Bank of Asia (Cambodia).

Education: higher education (Economics):

- Ryskulov Kazakh State Academy of Management (Almaty, Kazakhstan).

COMPOSITION AND FUNCTIONS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

There are three Committees of the Board of the Directors of the Company:

1. Strategic Planning Committee;
2. Internal Audit Committee;
3. Staff, Remuneration and Social Affairs Committee.

Strategic Planning Committee is a standing advisory board of the Board of Directors that provides recommendations on priority areas of activities and strategic goals of the Company, including on issues related to development of measures aimed at increasing the efficiency of the Company in midterm and long-term perspective.

Composition of the Strategic Planning Committee	
As on 01.01.2018	As on 01.01.2019
Yerbolat Ospanov (Chairman of the Committee)	Yerbolat Ospanov (Chairman of the Committee)
Jacek Brzezinski (member of the Committee)	Jacek Brzezinski (member of the Committee)
Nurlan Tokobayev (member of the Committee)	Nurlan Tokobayev (member of the Committee)
Zhandos Shaimardanov (member of the Committee)	Zhandos Shaimardanov (member of the Committee)
	Olzhas Salykov (expert)

Internal Audit Committee is a standing advisory board of the Board of Directors. Activities of this Committee are aimed at increasing efficiency and quality of work of the Board of Directors by providing recommendations for building up an efficient system of control of the Company's financial and operational activities (including control of the fullness and reliability of financial reporting), ensuring reliability and efficiency of internal control systems and risk management, controlling execution of corporate governance documents, and ensuring independence of external and internal audit.

Composition of the Internal Audit Committee	
As on 01.01.2018	As on 01.01.2019
Nurlan Tokobayev (Chairman of the Committee)	Nurlan Tokobayev (Chairman of the Committee)
Jacek Brzezinski (member of the Committee)	Jacek Brzezinski (member of the Committee)
Yerbolat Ospanov (member of the Committee)	Yerbolat Ospanov (member of the Committee)
Zhandos Shaimardanov (member of the Committee)	Zhandos Shaimardanov (member of the Committee)
	Khamzina I.K. (expert)

Staff, Remuneration and Social Affairs Committee is a standing advisory board of the Company's Board of Directors created to increase the efficiency and quality of work of the Board of Directors by monitoring and studying the personnel policy, remuneration and promotion issues that fall within the competence of the Board of Directors, as well as evaluating the performance of the members of the Board of Directors, Management Board, Chief Compliance Controller and Corporate Secretary.

Staff, Remuneration and Social Affairs Committee	
As on 01.01.2018	As on 01.01.2019
Jacek Brzezinski (Chairman of the Committee)	Jacek Brzezinski (Chairman of the Committee)
Yerbolat Ospanov (member of the Committee)	Yerbolat Ospanov (member of the Committee)
Nurlan Tokobayev (member of the Committee)	Nurlan Tokobayev (member of the Committee)
Zhandos Shaimardanov (member of the Committee)	Zhandos Shaimardanov (member of the Committee)

REPORT ON THE ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In 2018, 11 meetings of the Board of Directors were held, 6 decisions were made by virtue of absentee voting, 131 issues were considered at the meetings. The breakdown by categories is as follows:

- transactions / investment projects, securities – 17;
- risk management – 16;
- approval of internal regulations – 24;
- strategy – 5;
- personnel – 13;
- planning and reporting – 16;
- internal audit – 19;
- other issues – 21.

The main issues considered by the Board of Directors in 2018 were:

- By the resolution of the Board of Directors dated 31.01.2018 № 2 Galymzhan Tadzhiyakov was elected Chairman of the Board of Directors of the Company.
- By the resolution of the Board of Directors dated 29.03.2018 № 5 preliminary approval was granted to the annual financial statements of the Company for the year 2017, net profit distribution procedures and amount of dividends per one common share, information about the inquiries of the Sole Shareholder about the activities of the Company and its officers, amount and composition of remuneration to the members of the Board of Directors and Management Board of the Company in 2017.
- By the resolution of the Board of Directors dated 28.04.2018 № 7 terms and conditions of MO Kazakhstan Mortgage Company JSC bond issuing were defined, and bond issues worth 3.2 bln tenge and worth 700 mln tenge were approved.

- By the resolution of the Board of Directors dated 11.06.2018 № 8:
  - preliminary approval was granted to the Annual Report of MO Kazakhstan Mortgage Company JSC for the year 2017 (approved by the resolution of the Sole Shareholder dated 04.07.2018 № 27/18);
  - approval was granted to the report of the Management Board of MO Kazakhstan Mortgage Company JSC (internal audit system, risk management system, corporate governance, information technologies) for the year 2017.
- By the resolution of the Board of Directors dated 26.10.2018 № 13:
  - the decagon was made to close down the Office of MO Kazakhstan Mortgage Company JSC in the city of Nur-Sultan as of January 1, 2019;
  - approval was granted to the cooperation agreement with Tsesnabank that arranged for Tsesnabank JSC to provide mortgage loans to individuals on behalf of MO Kazakhstan Mortgage Company JSC.
- By the resolution of the Board of Directors dated 20.12.2018 № 16 an issue of MO Kazakhstan Mortgage Company JSC bonds totally worth 20 mln tenge was approved, and terms and conditions of this issue were defined.
- Quarterly reports of the Internal Audit Service, Chief Compliance Controller and Corporate Secretary were also approved.

All the issues put on the work agenda of the Board of Directors for the year 2018 were considered during the reporting period.

Attendance of Directors' Board meetings by members of the Board of Directors made 100%.

During the reporting period 28 meetings of the Committees of the Board of Directors were held (10 meetings of the Strategic Planning Committee, 10 meetings of the Internal Audit Committee and 8 meetings of the Staff, Remuneration and Social Affairs Committee), and 140 issues were considered during the committee meetings:

- transactions / investment projects, securities – 13;
- risk management – 16;
- approval of internal regulations – 16;
- strategy – 4;
- personnel – 13;
- planning and reporting – 21;
- internal audit – 33;
- other issues – 24.

Attendance of committee meetings by members of respective committees made 100%.

POLICY OF REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The existing policy of NMH Baiterek JSC does not stipulate for payment of any remuneration to members of the Board of Directors that are the representatives of the Sole Shareholder and Management Board of the Company.

Remuneration of Independent Directors is provided in the following manner:

- fixed annual remuneration;
- additional remuneration for participation in meetings of Committees of the Board of Directors.

The amount of remuneration to Independent Directors in 2018 made 20.9 mln tenge (before taxes and other mandatory deductions).

The expenses incurred by Independent Directors to arrive to the meetings of the Board of Directors held outside the place of their permanent residence are also reimbursed (travelling and accommodation expenses).

The Company made an external evaluation of performance of the Board of Directors, the Committees of the Board of Directors, and of individual performance of each director in 2018. The evaluation was made by independent external experts of the International Financial Corporation (IFC) that have considerable experience in evaluating performance of Directors' Boards of Kazakhstani and foreign companies.

The goal of the evaluation was to get objective information about the activities of the Board and its Committees, and analyze individual contributions of each directors into the work of the Board of Directors and the Committees of the Board of Directors.

Methodology offered by IFC experts was based on the best corporate governance practices and included evaluation of the performance of the Board of Directors, the Committees of the Board of Directors, Chairman of the Board of Directors and Corporate Secretary.

The following was done to achieve the goals of the evaluation:

- relevant information about the activities of the Board of Directors, Committees and Corporate Secretary was analyzed;
- the quality of interaction between the Sole Shareholder, the Board of Directors, the Committees of the Board of Directors, the Internal Audit Service, the Corporate Secretary and the Company's management was evaluated;
- approaches to organizing the activities of the Board of Directors and its Committees were evaluated;
- comparison of some aspects of the Board of Directors' activities to the best international practices in corporate governance was made;
- a report on the results of the evaluation containing conclusions and recommendations of experts was made.

The evaluation process included:

- analysis of internal documents and minutes of the meetings of the Board of Directors and its Committees.
- questionnaire-based surveys of the participants of the evaluation were made with the use of TopCompetence, a special website for evaluation of performance of boards of directors that ensures complete confidentiality of information and independence in the course of online questionnaire surveys.

- members of the Board, Committees, Internal Audit Service and Corporate Secretary were interviewed.
- a report on the results of the evaluation was made and subsequently considered at a meeting of the Board of Directors.

As a result of the external evaluation, strong sides and direction for further development were identified for the activities of the Board of Directors and the Committees of the Board of Directors of the Company. The experts commended the considerable contribution made by Independent Directors into the activities of the Board of Directors and its Committees, the work of the Chairman of the Board, high level of discipline in execution of the instructions of the Board of Directors by the Company's management and other aspects in the activities of the Board of Directors and its Committees. Besides this, the experts provided recommendations for improvement of the efficiency of the Board of Directors and its Committees in the following areas:

- Role and functions of the Board of Directors, interaction with the Shareholder;
- Strategy and business performance management;
- Composition of the Board of Directors and the role of Independent Directors;
- Policy of remuneration of the Board of Directors;
- Meetings of the Board of Directors;
- Interaction among members of the Board of Directors;
- Chairman of the Board of Directors;
- Corporate Secretary;
- Composition and operating procedures of the Committees of the Board of Directors.

The results of the evaluation became the foundation for development of an action plan for improving the performance of the Board of Directors and its Committees.

MANAGEMENT BOARD

The Management Board is an executive body of the Company, and it consists of four members. Activities of the Management Board are specified in the Management Board Regulation approved by the Resolution of the Board of Directors dated January 31, 2018 № 2 (before that the Management Board Regulation approved by the Resolution of the Board of Directors dated April 13, 2006 № 7 was in effect).

The Management Board is accountable to the Board of Directors and to the Sole Shareholder. It exercises management of the Company on a daily basis, and is responsible for implementation of the development strategy, development plan and decisions made by the Board of Directors and the Sole Shareholder.

The Management Board has the right to make decisions on any issues related to the Company's operations that are not specifically placed within the competence of other bodies and officers of the Company by the legislation of the Republic of Kazakhstan or the Articles of Association of the Company.

Meetings of the Management Board are held on a regular basis and as needed decisions can be made by virtue of absentee voting of members of the Management Board. When considering every issue, there is a separate discussion of risks related to making or not making this decision and its effect on the Company's profit making. The issues presented for consideration to the Board of Directors and the Sole Shareholder are first considered and approved by the Management Board in accordance with the Company's Articles of Association.

The Management Board makes decisions on issues on the agenda in the following ways: by voting of the members of the Management Board at a meeting (in person); by absentee voting of the members of the Management Board (without holding a meeting of the Management Board); by combining these two forms of voting (mixed voting).

In 2018, the Management board held 60 in-person meetings and 43 decisions were made by means of absentee voting of the members of the Management Board. 530 issues were considered.

MEMBERS OF THE MANAGEMENT BOARD OF THE COMPANY AS ON 31.12.2018

Adil Mukhamedzhanov

Chairman of the Management Board

Professional experience: in September 2016 was appointed chairman of the Management Board of the Company. Before that held various positions at KazTransOil JSC, was a member of the Board of Directors of Caspian Energy Inc., AsiaCredit Bank JSC, Vice-President of Aral Petroleum Capital LLP, Chairman of the Management Board of Otan Open Savings Pension Fund JSC.

Education: higher education (Economics):

- Ryskulov Kazakh Economic University;
- The University of Nottingham (UK).

Mazhit Zusupov

Deputy Chairman of the Management Board

Professional experience: in December 2018 was appointed Deputy Chairman of the Management Board of the Company. Before that held various positions in Kazakhstan's financial sector including in the Institute of Economic Studies NSE of the Ministry of Economy and Budget Planning of Kazakhstan, Nurbank JSC, BTA Bank JSC, Astana-Finance JSC, AsiaCreditBank JSC, Life Insurance Company Asia Life JSC.

Education: higher education (Economics).

Asel Dykanbayeva

Deputy Chairman of the Management Board

Professional experience: in May 2017 was appointed Deputy Chairman of the Management Board of the Company. Before that held various positions in BTA Bank JSC, AsiaCredit Bank JSC, AB Legal LLP.

Education: higher education (Economics), holds a Master's Degree in Applied Economics from the John Hopkins University.

Aisultan Akchurin

Deputy Chairman of the Management Board

Professional experience: in March 2018 was appointed Deputy Chairman of the Management Board of the Company. Before that held various positions in Saratov Institute of Mechanization and Automation, Eurasian Institute of System Research, Kazakhstan Mortgage Guarantee Fund JSC, Samruk-Kazyna Real Estate Fund JSC, FN Management LLP, Kazakhstan Housing Construction Corporation JSC, Frak Jet LLP, MO Kazakhstan Mortgage Company JSC, Baiterek Development JSC.

Education: higher education (Engineering, Law).

POLICY OF REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD

Remuneration of the members of the Management Board consists of the following parts:

- salary;
- national holiday bonuses;
- performance-based remuneration at the end of the reporting period.

The amount of remuneration to the Members of the Management Board in 2018 made 106.7 mln tenge (before taxes and other mandatory deductions).

INTERNAL AUDIT SERVICE

The Company's Internal Audit Service (hereafter referred to as "IAS") is guided by the Regulation on IAS and fundamental international professional practices in internal audit.

The IAS executes control over financial and operating activities, provides reasonable external guarantees and advice aimed at improving the Company's activities and increasing the efficiency of corporate governance, including through risk management, internal control and corporate governance systems.

The chief officer and employees of the IAS are appointed to or removed from their positions by resolutions of the Company's Board of Directors upon recommendation of the Audit Committee.

The IAS carries out its activities in line with the Annual Audit Plan approved by the Board of Directors.

In the course of 2018, the IAS was performing its auditing tasks in accordance with the adopted Annual Audit Plan. All the recommendations were prioritized in the order of importance, measures required to act on them were recommended and persons responsible for their implementation were appointed.

In 2018, the audit covered the following areas (business processes, systems, procedures and etc.):

- compliance with the limitations set on certain types of administrative expenses; mechanisms for monitoring the expenses;
- meeting the approved key performance indicators of the Company in 2017;
- midterm and long-term planning; budget approval and monitoring;
- claims and civil litigations;
- systems for countering fraud and corruption;
- performance management systems;
- secretariat procedures for the Company's governing bodies and committees;
- distribution of rental housing through state programs and the Company's own renal programs; implementation of the Company's own mortgage lending program and acquisition of debt-claims;
- subsidizing mortgage loan interest rate;
- efficiency of operations related to borrowing funds, issuing bonds and investing;
- operation of the Company's Nur-Sultan Office;
- goods and services procurement procedures used by the Company.

Besides, the internal control system was evaluated. The efficiency of the Company's corporate risk management system was evaluated along recognized standards adopted in internal audit and compliance control and in accordance with the methods approved by the Company's Board of Directors.

The audit done in 2018 yielded 253 findings. Required action was taken on 165 findings, 4 findings were not complied with, and the compliance time limit for the remaining 84 findings hasn't expired yet.

To implement the recommendations made by the IAS, the Company develops a corrective action plan and a preventive action plan. The IAS then assesses the execution of the action plans on a quarterly basis.

In 2018, the IAS made an internal evaluation (self-evaluation) of the quality of internal auditing activities in pursuance of the Program for Ensuring and Enhancing the Quality of Internal Audit. The result of this self-evaluation showed that the main target indicators set for the activities of the IAS were achieved.

QUALITY OF INTERNAL AUDIT ACTIVITIES

The IAS activities were found to be generally in compliance with the definition of internal audit, Code of Ethics, international professional standards of internal audit, and the Company's Bylaws regulating the activities of the IAS.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management in the Company is an ongoing, dynamic and continuous process that involves identification, assessment, control and monitoring of risks. According to the Provisions of the Company's Centralized Risk Management System, the Company sets limits on risk appetite components (capital adequacy, profitability and liquidity). Risk appetite limits are set by the Board of Directors of the Company to ensure adequacy of the risk appetite to the Company's strategy, business environment and requirements of its parties of interest.

The Company's risk management policy is aimed an identifying, analyzing and managing risks (strategic risks, financial risks, operational risks, legal risks), setting limits on risks and placing respective controls, constantly assessing the level of risks and making sure they stay within the set limits. The Company's management is responsible for the proper functioning of the risk management system.

Internal and external risk factors are identified and managed within the Company's operational framework. Special attention is given to the risk map that is used to identify the entire scope of risk factors and serves as a basis for determining the sufficiency level of existing risk mitigation procedures. The Company annually makes a risk register and a risk map, highlights critical risks and their indicators, and develops action plans prescribing measures for managing the risks. All these documents are comprehensively considered and then approved by the Company's Board of Directors.

Additionally, through the Holding's Centralized Risk Management System, information on the Company's inherent risks is collected and consolidated on a quarterly basis in accordance with the existing risk evaluation methods. A quantitive evaluation is made on each type of such risks to further aggregate them for the use in calculations of the internal equity of the Company and its comparison with the existing equity of the Company meant to cover all the Company's risks.

STRATEGIC RISKS

On an ongoing basis, the Company pays close attention to analyzing and controlling all its risks that can influence its ability to achieve its long-term strategic goals and meet key performance indicators set forth in its Strategy and Development Plan approved by the Board of Directors.

FINANCIAL RISKS

When managing credit risks in 2018, the Company looked into three risk zones: mortgage lending, financial leasing and management of temporarily surplus funds. To minimize credit risks it used a package of measures and procedures such as: scoring, loan and rental underwriting based on the set norm coefficients, setting and controlling maximum limits on counterparty banks after analyzing their financial condition, modeling expected loan losses and creating provisions for them.

The Company pursues a conservative foreign exchange risk management policy and regularly monitors the open foreign exchange position to ensure it stays within the set limits.

Interest rate risk is linked to the possible losses because of sensitivity to interest rate changes in case of a discrepancy between the time of maturity or revaluation of deposited interest-earning assets and interest-based liabilities on raised funds (maturity risk). To control exposure to the interest rate risk, the Company uses Gap Analysis, an instrument for interest rate gap analysis, to determine the time band when exposure to the interest rate risk of net gap position occurs (gap between the interest-based assets sensitive to interest rate changes and interest-based liabilities sensitive to interest rate changes) because of changes in the interest rate. The Company also evaluates the exposure to interest rate for the securities (bonds) portfolio by calculating modified duration on certain select bonds and on the bond portfolio as a whole.

The Company manages its liquidity risk by monitoring imbalances in the maturity of assets and liabilities and takes measures to avoid strains on liquidity. The Company regularly monitors the positions and works to eliminate the possible gaps.

LEGAL AND COMPLIANCE RISKS

The Company defines legal and compliance risks as a probability of adverse consequences, including expenses and damage to the Company's business reputation, that may arise as a result of violation or non-compliance with the legislation of the Republic of Kazakhstan, rules, regulatory requirements, internal procedures and policies of the Company, ethical standards, including the code of market conduct, conflict of interest management, advising and servicing customers. Compliance Control Service is also responsible for ensuring that no money laundering or terrorist funding activities take place in the Company.

OPERATIONAL RISKS

The goal of operational risk management is to optimize the Company's operational efficiency by reducing operational losses, optimizing expenses and decreasing the time and increasing the adequacy of response to events beyond the reasonable control.

The Company manages its operational risks using the following instruments:

- classification of events that fall into the operational risk category is done by all the structural units of the Company by feeding information into the electronic database of operational risks events. This data are then considered by the authorized body of the Company, and operational risk management recommendations are issued on each event;
- capital reserves are calculated for each operational risk and assessment of actual damages in case of the operational risks occurrence is made;
- monitoring of operational risk reporting.

DEVELOPMENT OF RISK ASSESSMENT METHODS

In 2018, in the course of transition to the international financial reporting standards IFRS 9 – Financial instruments, the Company adopted a complex of measures to develop methodologies and models to evaluate devaluation of financial instruments. This led to development and introduction of statistical models for calculation of expected loan losses on financial instruments in accordance with IFRS 9.

INTERNAL CONTROL SYSTEM

Internal Control System of the Company is based on recognized principles and best practices, and constitutes three lines of defence.

The first line of defence is ensured through internal control done by the Company's structural units themselves. Controls are developed by the structural units and are integral parts of their business processes. Organization, control and monitoring of internal control is done by the heads of the structural units of the Company.

The second line of defence is ensured by a whole range of structural units of the Company including, but are not limited to, the units like the Risk Management Department, Legal Department, Compliance Control Service and other structural units of the Company that have supervisory functions.

The third line of defence is ensured through external corroboration of efficiency of the internal control environment obtained through audits. This line of defence covers both the first and the second line and provides performance evaluation of the Company's internal control system as a whole.

In 2018, in the course of reengineering of its business process, the Company actualized and improved the structural matrix of its business processes, risks and controls in accordance with the Strategic Goals of the Company and with the prioritized business processes in view.

EFFECTIVENESS EVALUATION OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company periodically evaluates the effectiveness of the risk management system and internal control system. The evaluations are done by the Internal Audit Service of the Company in accordance with the Company's Bylaws.

According to the best practices diagnostics, the risk management system's overall score was 84% and that of the internal control system was 87% in 2018.

COMPLIANCE WITH THE PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

The Company views corporate governance as a means to improve its performance efficiency, ensure transparency and accountability, enhance its reputation and reduce the cost of capital.

In its work in 2018, the Kazakhstan was guided by the requirements of the legislation of the Republic of Kazakhstan pertaining to corporate governance and by the principles stipulated in the Company's Corporate Governance Code approved by the resolution of the Sole Shareholder dated 22.12.2015 № 31/15. These principles provide for safeguarding the Sole Shareholder's rights and interests, effective management of the Company by its Board of Directors and Management Board, independent activities of the Company, transparency and fairness in disclosure of information about the Company's activities, rule of law and ethics, effective dividend policy, effective personnel policy, protection of environment, fair settlement of corporate conflicts and resolution of conflicts of interest, and responsible practices.

According to the Report on Compliance with the Principles of the Corporate Governance Code in 2018, the Company's activities were in full compliance with all the principles set forth by the Code.

RESOLUTION OF CONFLICTS OF INTEREST

On April 9, 2015 the Board of Directors approved the Company's Policy of Resolution of Corporate Conflicts and Conflicts of Interest (Minutes № 4).

The Policy defines the procedures for prevention and settlement of corporate conflicts, ways to timely identify and avert corporate conflicts, prescribes clear coordinated actions of all the Company's bodies in case a corporate conflict or a conflict of interest arises or is about to arise.

Members of the Board of Directors and the Management Board as well as all the employees of the Company are supposed to execute their professional duties in good faith, reasonably, with due consideration and care, and in the best interests of the Company and its Sole Shareholder, avoiding conflicts of interest and corporate conflicts.

In 2018 there were no cases of corporate conflicts or conflicts of interest registered.

FINANCIAL STATEMENTS AND AUDIT REPORT

KAZAKHSTAN
MORTGAGE
COMPANY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 '000 KZT	2017 * '000 KZT
Interest income calculated using the effective interest method		8,781,322	9,546,509
Other interest income		8,415,454	6,449,233
Interest expense		(7,381,735)	(6,280,876)
Net interest income	**6**	**9,815,041**	**9,714,866**
Fee and commission income		3,857	2,549
Fee and commission expense		(201,252)	(219,095)
Net fee and commission expense		**(197,395)**	**(216,546)**
Net foreign exchange loss		(4,418)	(18,437)
Net realised gain on investment securities measured at fair value through profit or loss		142,692	-
Other operating income		396,503	686,679
Operating income		**10,152,423**	**10,166,562**
Impairment losses on debt financial instruments	7	(921,017)	(2,019,839)
Personnel expenses	8	(1,567,700)	(1,619,826)
General and administrative expenses	9	(1,421,566)	(1,615,460)
Net loss arising from derecognition of financial assets measured at amortised cost	25(c)	(427,226)	-

	Note	2018 '000 KZT	2017 * '000 KZT
Profit before income tax		**5,814,914**	**4,911,437**
Income tax expense	10	(1,195,768)	(1,216,314)
Profit for the year		**4,619,146**	**3,695,123**
Other comprehensive income (loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss: Revaluation reserve for available-for-sale financial assets - Net change in fair value		-	(160,586)
Other comprehensive income (loss) for the year, net of income tax		**-**	**(160,586)**
Total comprehensive income for the year		**4,619,146**	**3,534,537**
Basic and diluted earnings per share (in KZT)	24(e)	760	621

The financial statements as set out on pages 8 to 87 were approved by management on 28 February 2019 and were signed on its behalf by:

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A.B. Mukhamedzhanov
Chairman of the Management Board

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B.D. Sagimkulova
Managing Director

____

A.T. Toktarkozha
Chief Accountant

** The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 5).*

	Note	2018 '000 KZT	2017 * '000 KZT
ASSETS			
Cash and cash equivalents	11	45,903,390	21,800,196
Placements with banks and other financial institutions	12	2,402,821	6,109,035
Investment securities:			
- measured at fair value through profit or loss	13	4,764,226	-
- measured at amortised cost	13	12,119,171	-
Available-for-sale financial assets	13	-	9,234,246
Loans to customers	14	43,066,563	50,049,179
Finance lease receivables	15	141,153,096	117,838,422
Current tax asset		2,045,362	2,645,992
Advances paid for acquisition and construction of real estate	16	972,687	3,746,747
Assets to be transferred under finance lease agreements	17	5,180,554	7,652,924
Construction-in-progress	18	5,643,479	23,475,511
Property, plant and equipment		2,129,083	2,173,139
Investment property		647,704	917,489
Other assets	19	1,297,734	4,842,065
Total assets		267,325,870	250,484,945

	Note	2018 '000 KZT	2017 * '000 KZT
LIABILITIES			
Debt securities issued	20	66,920,124	43,177,214
Other borrowed funds	21	31,320,645	29,832,799
Deferred income	22	102,126,287	106,893,420
Deferred tax liability	10	1,604,292	1,309,953
Other liabilities	23	3,467,988	10,462,066
Total liabilities		205,439,336	191,675,452
EQUITY	24		
Share capital		63,313,800	63,313,800
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,522)
Additional paid-in capital		5,822,856	5,822,856
Reserve capital		2,734,447	2,734,447
Revaluation reserve for available-for-sale financial assets		-	(1,366,764)
Accumulated losses		(7,399,708)	(9,109,985)
Total equity		61,886,534	58,809,493
Total equity and liabilities		267,325,870	250,484,945

** The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 5).*

	2018 '000 KZT	2017 * '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	13,054,649	12,692,986
Interest payments	(4,893,531)	(3,446,024)
Fee and commission receipts	3,874	2,345
Fee and commission payments	(115,565)	(122,467)
Other income receipts	291,068	955,228
Personnel expenses paid	(1,547,831)	(1,494,124)
General and administrative expenses payments	(1,265,085)	(1,566,594)
	5,527,579	7,021,350
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	3,654,403	(6,037,579)
Financial assets measured at fair value through profit or loss	1,846	-
Loans to customers	7,537,021	5,827,827
Advances paid for acquisition and construction of real estate	-	632,760
Assets to be transferred under finance lease agreements	(1,085,272)	(8,548,873)
Construction-in-progress	(6,430,219)	(12,274,013)
Finance lease receivables	5,378,036	3,716,008
Other assets	660,680	359,324
(Increase)/decrease in operating liabilities		
Subsidies	(84,025)	-
Other liabilities	(4,850,022)	963,776
Net cash from/(used in) operating activities before income tax paid	**10,310,027**	**(8,339,420)**
Income tax paid	(33,067)	(456,890)
Cash flows from/(used in) operating activities	**10,276,960**	**(8,796,310)**

KAZAKHSTAN MORTGAGE COMPANY

	2018 '000 KZT	2017 * '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities measured at amortised cost	(10,157,463)	-
Repayment of investment securities measured at amortised cost	3,218,541	-
Acquisition of property, plant and equipment and intangible assets	(95,332)	(132,079)
Proceeds from sale of investment property	71,059	158,017
Cash flows (used in)/from investing activities	**(6,963,195)**	**25,938**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	(7,920,500)	(9,599,700)
Proceeds from issue of debt securities	31,356,189	14,374,280
Redemption of subordinated debt securities issued	-	(10,000,000)
Repayment of other borrowed funds	(1,621,372)	(7,150,000)
Dividends paid	(1,108,575)	(926,802)
Proceeds from issue of share capital	-	5,200,000
Cash flows from/(used in) financing activities	**20,705,742**	**(8,102,222)**
Net increase/(decrease) in cash and cash equivalents	**24,019,507**	**(16,872,594)**
Effect of movements in exchange rates on cash and cash equivalents	83,687	7,269
Cash and cash equivalents at the beginning of the year	21,800,196	38,665,521
Cash and cash equivalents as at the end of year (Note 11)	**45,903,390**	**21,800,196**

** The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 5).*

'000 KZT	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2017	**58,113,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**(1,206,178)**	**(11,878,306)**	**51,001,758**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	3,695,123	3,695,123
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(160,586)	-	(160,586)

'000 KZT	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Total other comprehensive income	-	-	-	-	-	(160,586)	-	(160,586)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(160,586)**	**3,695,123**	**3,534,537**
Transactions with owners, recorded directly in equity								
Shares issued (Note 24 (a))	5,200,000	-	-	-	-	-	-	5,200,000
Dividends declared (Note 24(b))	-	-	-	-	-	-	(926,802)	(926,802)
Balance as at 31 December 2017	**63,313,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**(1,366,764)**	**(9,109,985)**	**58,809,493**

'000 KZT	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2018*	**63,313,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**(1,366,764)**	**(9,109,985)**	**58,809,493**
Impact of adopting IFRS 9 as at 1 January 2018 (see Note 5)	-	-	-	-	-	1,366,764	(1,800,294)	(433,530)
Restated balance as at 1 January 2018*	**63,313,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**-**	**(10,910,279)**	**58,375,963**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	4,619,146	4,619,146
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**4,619,146**	**4,619,146**
Transactions with owners, recorded directly in equity								
Dividends declared (Note 24 (b))	-	-	-	-	-	-	(1,108,575)	(1,108,575)
Balance as at 31 December 2018	**63,313,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**-**	**(7,399,708)**	**61,886,534**

** Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 5).*

KAZAKHSTAN MORTGAGE COMPANY

1. REPORTING ENTITY

(A) ORGANISATION AND OPERATIONS

Mortgage Organisation Kazakhstan Mortgage Company JSC (the "Company") was established on 29 December 2000 in accordance with the Decree No.469 of the National Bank of the Republic of Kazakhstan (the "NBRK") dated 20 December 2000. The principal activity of the Company is acquisition of rights on mortgage loans, finance leasing and issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

On 12 April 2010 the Company obtained a banking license No.5.1.69 to carry out banking lending transactions.

The activities of the Company are regulated by the National Bank of the Republic of Kazakhstan.

The Company's registered office is: 98, Karasay Batyr Street, Almaty, Republic of Kazakhstan, A05E3B4. On 26 October 2018 the Company's Board of Directors made decision to close the Company representative office in the city of Astana beginning from 1 January 2019; also according to the Order No.0008 dated 3 January 2019, the Department of Justice of Yessil District of the city of Astana, the Company's representative office in the city of Astana was deregistered.

(B) SHAREHOLDERS

As at 31 December 2018 and 31 December 2017 the Company is wholly-owned by the National Management Holding Baiterek JSC (hereinafter the "Parent Company"). The party with ultimate control over the Company is the Government of the Republic of Kazakhstan.

(C) KAZAKHSTAN BUSINESS ENVIRONMENT

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

This is the first set of the Company's financial statements where IFRS 9 Financial Instruments has been applied. Changes to significant accounting policies are described in Note 3.

(B) BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

(C) USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Judgments

Information about critical judgments in applying accounting policies, that significantly affected the amounts reported in the financial statements, is described in the following notes:

- Applicable to 2018 only:
  - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(e)(i);
  - establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2018 is included in the following notes:

- Applicable to 2018 only:
  - impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 4.
- Applicable to 2018 and 2017:
  - impairment of loans to customers and finance lease receivables – Note 7;
  - estimates of fair values of financial assets and liabilities – Note 29.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

KZT is also the presentation currency for the purposes of these financial statements.

All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.

(E) CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

The Company has adopted IFRS 9 from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

A. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Company has applied consequential amendments to IAS 1 'Presentation of Financial Statements', which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method. Previously, the Company disclosed this amount in notes to the financial statements.

Additionally, the Company has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures about 2018 but have not been applied to the comparative information.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Company classifies financial assets under IFRS 9, see Note 3(e)(i).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Company classifies financial liabilities under IFRS 9, see Note 3(e)(i).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new im-

pairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see Note 3(e)(iv).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented as at and for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the year ended 31 December 2018 under IFRS 9.
  The Company used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and other comprehensive income, the Company has reclassified comparative interest income on non-derivative debt financial assets measured at FVTPL and net investments in finance leases to 'other interest income' and changed the description of the line item from 'interest income' reported in 2017 to 'interest income calculated using the effective interest method'.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 'Revenue', IAS 11 'Construction Contracts and related interpretations'.

The Company initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8. The timing or amount of the Company's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the changes disclosed in Note 2(e) the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(A) FOREIGN CURRENCY

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated to the functional currency using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(C) INTEREST INCOME AND EXPENSE

Policy applicable from 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note (e)(iv).

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and other comprehensive includes interest expense on financial liabilities.

Policy applicable before 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and other comprehensive includes interest expense on financial liabilities measured at amortised cost.

(D) FEES AND COMMISSIONS

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(c)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(E) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit losses and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previ-

ously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains or losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 3 (e)(ii)) unless they clearly represent a recovery of part of the cost of investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets

held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- available-for-sale financial assets.

See Note 3(f),(g).

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(e)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iii. Modification of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Company due to changes in the NBRK key rate, if the loan agreement entitles the Company to do so.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogises to the guidance on the derecognition of financial liabilities.

The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Company further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(e)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(c)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective

interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In this case, the original financial asset is derecognised (see Note 3(e)(ii)), and a new financial asset is recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate (see Note 3(e)(iv)).

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv. Impairment

See also Note 4.

Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- finance lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date;
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to

the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Company expects to recover.

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e)(iii)) and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired (are referred to as ‘Stage 2’ financial assets). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, the retail loans that are overdue for 90 days or more are considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component (loan issued). Any excess of the loss allowance over the gross amount of the drawn component (loan issued) is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its

entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Objective evidence of impairment

At each reporting date, the Company assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer would enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlated with defaults in the group.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

The Company considered evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and receivables and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Loans and receivables and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar credit risk characteristics.

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial position and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The roll rate methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

The IBNR allowance covered credit losses inherent in portfolios of loans and receivables, and held-to-maturity investment securities with similar credit risk characteristics when there was objective evidence to suggest that they contained impaired items but the individual impaired items could not yet be identified.

In assessing the need for collective loss allowance, management considered factors such as

credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Loans that were subject to a collective IBNR provision were not considered impaired.

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

Reversal of impairment

- For assets measured at amortised cost: if an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For available-for-sale debt security: if, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through other comprehensive income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognised in other comprehensive income.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Write-off

The Company wrote off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Company determined that there was no realistic prospect of recovery.

(F) LOANS TO CUSTOMERS

Policy applicable from 1 January 2018

'Loans to customers' caption in the statement of financial position include:

- loans to customers measured at amortised cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

Loans to customers were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Company did not intend to sell immediately or in the near term.

Loans to customers included: those classified as loans and receivables.

Loans to customers were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(G) INVESTMENT SECURITIES

Policy applicable from 1 January 2018

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3(e)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see Note 3(e)(i) and (d)(v)); these are measured at fair value with changes recognised immediately in profit or loss;

Policy applicable before 1 January 2018

Investment securities were initially measured at fair value plus, in the case of investment securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, FVTPL or available-for-sale.

Held-to-maturity investments were non-derivative assets with fixed or determinable payments and fixed maturity that the Company had the positive intent and ability to hold to maturity, and which were not designated as at FVTPL or as available-for-sale.

Held-to-maturity investment securities

Held-to-maturity investments were carried at amortised cost using the effective interest method, less any impairment losses (see Note 3(e)(iv)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that were so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company had collected substantially all of the asset's original principal; and
- sales or reclassifications that were attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

(H) DEPOSITS, DEBT SECURITIES ISSUED AND SUBORDINATED LIABILITIES

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(I) COMPARATIVE INFORMATION

As a result of adoption of IFRS 9 the Company changed presentation of certain captions in the primary forms of financial statements. Comparative information is reclassified to conform to changes in presentation in the current period.

The effect of main changes in presentation of the statement of profit or loss and other comprehensive income for the year ended 31 December 2017 is as follows:

- The presentation of interest income was amended to present interest on finance lease receivables separately under 'other interest income' line item;

The effect of the changes above on the statement of profit or loss and other comprehensive income is summarised in the table below:

'000 KZT	As previously reported	Effect of reclassifications	As reclassified
Interest income on finance lease receivables	6,449,233	(6,449,233)	-
Other interest income	-	6,449,233	6,449,233

(J) REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within other borrowed funds. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repurchase agreements within cash and cash equivalents. The difference between the sale and repurchase prices represents interest income and is recognised in profit or loss

over the term of the reverse repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(K) OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

(L) LEASES

Leases which assume transfer of substantially all the risks and rewards of ownership are classified as finance leases. Leases which do not assume transfer of substantially all the risks and rewards of ownership are classified as operating leases.

The Company classifies the property leasing under the hire purchase contracts as finance lease as at the date of beginning of the lease relationship in accordance with IAS 17 Leases.

Finance leases are leases which assume transfer of substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments

amounts to at least substantially all of the fair value of the leased asset; or

- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Company as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease.

(M) FORECLOSED ASSETS

Foreclosed assets are measured at the lower of cost and net realisable value. The cost of foreclosed assets is based on the specific identification principle, and recorded at net book value of underlying lease at foreclosure date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(N) PROPERTY, PLANT AND EQUIPMENT

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings
  8-100 years;
- Computer equipment
  2 - 10 years;
- Vehicles
  5-7 years;
- Other assets
  3-20 years.

(O) INTANGIBLE ASSETS

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 year for programme software to 20 years for licenses.

(P) INVESTMENT PROPERTY

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is stated at cost less accumulated depreciation and impairment losses.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(Q) ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(R) INVENTORY

Inventories include assets to be transferred under finance lease agreements and other inventory. Assets to be transferred under finance lease are real estate objects acquired by the Company and transferred to the lessees once the title of ownership on objects is obtained. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and construction in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(S) IMPAIRMENT OF NON-FINANCIAL ASSETS

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(T) GOVERNMENT GRANTS

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. Provided that there are terms that may require repayment.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined as described in Note 3(e) (iii) and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs which the grants are intended to compensate for.

(U) SHARE CAPITAL

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(V) TAXATION

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current Taxes and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(W) SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Company); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(X) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2018, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's financial position and its operations. The Company plans to adopt these pronouncements when they become effective. The Company has not yet analysed the likely impact of the new standards on its financial position and performance.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

No significant impact is expected for the Company's finance leases.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments;
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRSs 2015-2017 Cycle–various standards;
- Amendments to References to Conceptual Framework in IFRS Standards;
- IFRS 17 Insurance Contracts..

4 FINANCIAL RISK REVIEW

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 25.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv)).

Significant increase in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposure	All exposures (corporate and retail exposures)
Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections.	Payment record – this includes overdue status;
Data from credit reference agencies, press articles, changes in external credit ratings;	Requests for and granting of forbearance;
Quoted bond and credit default swap (CDS) prices for the issuer where available;	Existing and forecast changes in business, financial and economic conditions;
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For majority of exposures the key driver would be GDP forecast growth.

The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include both quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Definition of default

The Company considers a financial asset to be in default when:

- there is a delay in payments of 90 (ninety) days and more as at the reporting date;
- there is a delay in payments of 7 (seven) days and more on interbank claims and securities as at the reporting date;
- the financial instrument has been restructured due to the borrower's financial difficulties, which resulted in decrease in the net present value of the operating cash flows by 10% and more;
- according to information from the publicly available information sources the counterparty is in the state of bankruptcy;
- the external credit rating of the financial instrument/counterparty is CC- (hereinafter according to the rating scales of Standard&Poor's, Moody's, etc.);
- at the current reporting date the Company has defaulted on another financial instrument of the counterparty;
- other indicators which evidence the counterparty's impaired ability to fulfil its financial liabilities to the Company and deterioration of the state of financial asset/increased probability of fulfilment by the Company of the contingent liabilities.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative– e.g. breaches of covenant;
- Quantitative – e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the NBRK, and selected private sector and academic forecasters.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(c)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(c)(iv)) in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD.

Exposure at default represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation. The EAD of a financial asset is the gross carrying amount. For lending commitments and financial guarantees, the EAD considers the amount claimed, as well as potential future amounts that may be claimed under the contract, which is estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased as from the time of initial recognition, the Company will measure ECLs considering the risk of default over the maximum contractual period (including any extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of a loan or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- financing program

The groupings must be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Company has limited historical data, external benchmark information will be used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECLs are as follows.

'000 KZT	Exposure	External benchmarks used	
		PD	LGD
Cash and cash equivalents	45,903,390	Moody's default study Probability of default model	For local credit exposures LGD statistics is based on recovery after defaults of banks and financial institutions in Kazakhstan

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'000 KZT	Exposure	External benchmarks used	
		PD	LGD
Placements with banks and other financial institutions	2,402,821	Moody's default study Probability of default model	For local credit exposures LGD statistics is based on recovery after defaults of banks and financial institutions in Kazakhstan
Investment securities measured at amortised cost	12,119,171		
Other financial assets	484,713		

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, debt instruments measured at amortised cost as at 31 December 2018. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: Stage 1, Stage 2, Stage 3, and POCI are included in Note 3(e)(iv).

'000 KZT	31 December 2018			
	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Total
Cash and cash equivalents				
National Bank of the Republic of Kazakhstan	179,831	-	-	179,831
rated BBB-	11,937,932	-	-	11,937,932
rated BB+	479	-	-	479
rated BB	4,428,405	-	-	4,428,405
rated BB-	7,534,735	-	-	7,534,735
rated B+	-	-	-	-
rated B	195,575	-	-	195,575
rated B-	**221**	**-**	**-**	**221**
Not rated	**-**	**-**	**2,139,533**	**2,139,533**
	24,277,178	**-**	**2,139,533**	**26,416,711**
Loss allowance	**(101,368)**	**-**	**(2,110,916)**	**(2,212,284)**
Reverse repurchase agreements Rated from BBB- to BBB+	**21,698,963**	**-**	**-**	**21,698,963**
Carrying amount	**45,874,773**	**-**	**28,617**	**45,903,390**

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'000 KZT	31 December 2018			
	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Total
Placements with banks and other financial institutions				
rated BB-	48,221	-	-	48,221
rated B+	2,426,499	-	-	2,426,499
	2,474,720	**-**	**-**	**2,474,720**
Loss allowance	**(71,899)**	**-**	**-**	**(71,899)**
Carrying amount	**2,402,821**	**-**	**-**	**2,402,821**
Investment securities measured at amortised cost				
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	1,501,776	-	-	1,501,776
Rated from B+ to B-	10,620,244	-	-	10,620,244
Not rated	-	-	2,102,726	2,102,726
	12,122,020	**-**	**2,102,726**	**14,224,746**
Loss allowance	**(2,849)**	**-**	**(2,102,726)**	**(2,105,575)**
Carrying amount	**12,119,171**	**-**	**-**	**12,119,171**

'000 KZT	31 December 2018			
	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Total
Loans to customers				
not overdue	38,669,319	-	1,785,681	40,455,000
overdue less than 30 days	1,552,562	-	166,962	1,719,524
overdue 30-59 days	-	389,249	92,660	481,909
overdue 60-89 days	-	183,483	436,549	620,032
overdue more than 90 days	-	-	4,476,809	4,476,809
	40,221,881	**572,732**	**6,958,661**	**47,753,274**
Loss allowance	**(651,134)**	**(59,750)**	**(3,975,827)**	**(4,686,711)**
Carrying amount	**39,570,747**	**512,982**	**2,982,834**	**43,066,563**
Finance lease receivables				
not overdue	128,113,629	188,517	17,027	128,319,173
overdue less than 30 days	8,447,682	-	7,916	8,455,598
overdue 30-59 days	-	2,808,270	-	2,808,270

'000 KZT	31 December 2018			
	12-month expected credit losses	Life-time expected credit losses for not credit-impaired assets	Life-time expected credit losses for credit impaired assets	Total
overdue 60-89 days	-	1,142,243	-	1,142,243
overdue more than 90 days	-	29,971	1,123,078	1,153,049
	136,561,311	**4,169,001**	**1,148,021**	**141,878,333**
Loss allowance	**(226,125)**	**(393,335)**	**(105,777)**	**(725,237)**
Carrying amount	**136,335,186**	**3,775,666**	**1,042,244**	**141,153,096**
Other financial assets				
overdue less than 30 days	387,947	-	-	387,947
overdue 30-89 days	-	112,754	-	112,754
overdue more than 90 days	-	-	665,082	665,082
	387,947	**112,754**	**665,082**	**1,165,783**
Loss allowance	**(11,860)**	**(4,128)**	**(665,082)**	**(681,070)**
Carrying amount	**376,087**	**108,626**	**-**	**484,713**

5 TRANSITION TO IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

'000 KZT	Note	Initial classification under IAS 39	New classification under IFRS 9	Initial carrying amount under IAS 39	Reclassification	Change in estimate base	New carrying amount under IFRS 9
Financial assets							
Cash and cash equivalents	11	Loans and receivables	Amortised cost	21,800,196	-	(140,770)	21,659,426
Placements with banks and other financial institutions	12	Loans and receivables	Amortised cost	6,109,035	-	(42,129)	6,066,906
Investment securities	13	Available-for-sale	FVOCI	9,234,246	(9,234,246)	-	-
Investment securities - debt (b)	13	Available-for-sale	Amortised cost	-	4,511,985	(96,207)	4,415,778
Investment securities - debt (a)	13	Available-for-sale	FVPL (mandatory)	-	4,722,261	-	4,722,261

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'000 KZT	Note	Initial classification under IAS 39	New classification under IFRS 9	Initial carrying amount under IAS 39	Reclassi-fication	Change in estimate base	New carrying amount under IFRS 9
Loans to customers	14	Loans and receivables	Amortised cost	50,049,179	-	(581,685)	49,467,494
Finance lease receivables	15	N/a	N/a	117,838,422	-	(77,552)	117,760,870
Other financial assets		Loans and receivables	Amortised cost	4,119,868	-	8,330	4,128,198
Total financial assets				**209,150,946**	**-**	**(930,013)**	**208,220,933**
			Financial liabilities				
Debt securities issued	20	Amortised cost	Amortised cost	43,177,214	-	-	43,177,214
Other borrowed funds	21	Amortised cost	Amortised cost	29,832,799	-	-	29,832,799
Other financial liabilities	23	Amortised cost	Amortised cost	8,953,388	-	-	8,953,388
Total financial liabilities				**81,963,401**	**-**	**-**	**81,963,401**

The Group's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(e)(i). The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Certain investments securities held by the Company are classified under IFRS 9 as mandatorily measured at FVTPL due to non-compliance with the SPPI criterion.

b. Certain debt securities are held by the Company in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Company considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

The following table summarises the impact, net of tax, of transition to IFRS 9 on equity reserves and retained earnings. It effects the fair value reserves and retained earnings. There is no impact on other components of equity.

'000 KZT	Effect from transition to IFRS 9 as at 1 January 2018
Revaluation reserves for available-for-sale financial assets	
Closing balance under IAS 39 (31 December 2017)	(1,366,764)
Reclassification of debt investment securities from available-for-sale to amortised cost	380,146
Reclassification of debt investment securities from available-for-sale to FVTPL	986,618
Opening balance under IFRS 9 (1 January 2018)	-

'000 KZT	Effect from transition to IFRS 9 as at 1 January 2018
Accumulated loss	
Closing balance under IAS 39 (31 December 2017)	(9,109,985)
Reclassification under IFRS 9	(986,618)
Recognition of expected credit losses under IFRS 9 (including expected credit losses on financial lease receivables, loans to customers)	(930,013)
Tax	116,337
Opening balance under IFRS 9 (1 January 2018)	**(10,910,279)**

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

For financial assets, this table is presented by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9, and shows separately the effect of the changes in the measurement category on the loss allowance at the date of initial application of IFRS 9, i.e. as at 1 January 2018.

'000 KZT	Impairment allowance and provisions			
	31 December 2017 (IAS 39/IAS 37)	Reclassification	Change in estimate base	1 January 2018 (IFRS 9)
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, placements with banks, loans to customers, lease receivables and other financial assets)	6,606,378	-	833,806	7,440,184
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	2,592,245	-	96,207	2,688,452
Total measured at amortised cost	9,198,623	-	930,013	10,128,636
Available-for-sale debt investment securities under IAS 39 reclassified to FVPL under IFRS 9	437,743	(437,743)	-	-
Total measured at FVPL	437,743	(437,743)	-	-

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6 NET INTEREST INCOME

	2018 '000 KZT	2017 '000 KZT
Interest income calculated using the effective interest method		
Financial assets at amortised cost		
Loans to customers	5,154,079	5,531,587
Cash and cash equivalents	869,257	2,656,740
Investment securities measured at amortised cost/available-for-sale financial assets	1,404,823	1,044,447
Placements with banks and other financial institutions	362,110	141,073
Reverse repurchase agreements	914,757	37,761
Other assets	76,296	134,901
	8,781,322	**9,546,509**
Other interest income		
Finance lease receivables	8,017,419	6,449,233
Investment securities measured at FVTPL	398,035	-
	8,415,454	**6,449,233**

	2018 '000 KZT	2017 '000 KZT
Interest expense		
Debt securities issued	(5,039,926)	(3,465,068)
Other borrowed funds	(2,310,921)	(2,472,220)
Subordinated debt securities issued	-	(247,758)
Recognition of discount on long-term receivable	(30,888)	(95,830)
	(7,381,735)	**(6,280,876)**
Net interest income	**9,815,041**	**9,714,866**

Included within various line items under interest income for the year ended 31 December 2018 is a total of KZT 402,815 thousand (2017: interest income accrued on impaired financial assets: KZT 224,334 thousand), accrued on assets in Stage 3 in 2018.

Interest income on finance lease receivables for the period ended 31 December 2018 includes amortisation of deferred income of KZT 3,758,780 thousand (2017: KZT 3,071,347 thousand) (Note 22).

7 LOSSES ON IMPAIRMENT OF DEBT FINANCIAL INSTRUMENTS

	2018 '000 KZT	2017 '000 KZT
Finance lease receivables (Note 15)	(354,201)	174,186
Cash and cash equivalents (Note 11)	71,805	(93,360)
Loans to customers (Note 14)	(218,974)	(448,718)
Placements with banks and other financial institutions (Note 12)	(29,770)	-
Investment securities measured at amortised cost (Note 13)	88,477	(1,474,449)
Other assets (Note 19)	(478,354)	(177,498)
	(921,017)	**(2,019,839)**

8 PERSONNEL COSTS

	2018 '000 KZT	2017 '000 KZT
Employee compensation	1,437,104	1,467,161
Salary related taxes	130,596	152,665
	1,567,700	**1,619,826**

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 '000 KZT	2017 '000 KZT
Taxes other than on income	276,622	261,532
Professional services	108,553	255,568
Land use planning expenses	30,532	188,362
Advertising and marketing	141,292	149,958
Depreciation and amortisation	144,860	123,354
Utilities	160,364	95,714
Outsourcing	97,570	65,645
Insurance of pledged property	57,918	62,538
Technical services for software	66,835	50,953
Security	70,097	45,856
Business travel	72,630	41,264
Repair and maintenance	25,424	27,018
Occupancy	25,548	23,269
Communications and information services	12,405	11,368
State duties	2,413	3,226
Other	128,503	209,835
	1,421,566	**1,615,460**

10 INCOME TAX EXPENSE

	2018 '000 KZT	2017 '000 KZT
Current year tax expense	(787,798)	(1,012,584)
Underprovided in prior years	(113,631)	-
Movement in deferred tax assets/deferred tax liabilities due to origination and reversal of temporary differences and movement in valuation allowance	(294,339)	(203,730)
Total income tax expense	**(1,195,768)**	**(1,216,314)**

In 2018, the applicable tax rate for current and deferred tax is 20% (2017: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2018 '000 KZT	%	2017 '000 KZT	%
Profit before income tax	**5,814,914**	**100**	**4,911,437**	**100**
Income tax at the applicable income tax rate	(1,162,983)	(20)	(982,287)	(20)
Tax exempt interest on securities	356,437	6	208,144	4
Non-deductible impairment losses	(186,396)	(3)	(314,224)	(6)
Other non-deductible expenses	(89,195)	(2)	(127,947)	(3)
Underprovided in prior years	(113,631)	(2)	-	-
	(1,195,768)	**(21)**	**(1,216,314)**	**(25)**

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2018 and 31 December 2017.

Deferred tax assets and liabilities

Movements in temporary differences during the year ended 31 December 2018 are presented as follows:

'000 KZT	1 January 2018	Recognised in profit or loss	31 December 2018
Property, plant and equipment	(72,970)	(3,213)	(76,183)
Available-for-sale financial assets	3,299	(3,299)	-
Other assets	8,072	11,285	19,357
Loans issued	-	41,580	41,580
Other borrowed funds	(22,674,344)	622,115	(22,052,229)
Deferred income	21,378,684	(953,427)	20,425,257
Other liabilities	47,306	(9,380)	37,926
Tax loss carry-forward	370,994	-	370,994
	(938,959)	**(294,339)**	**(1,233,298)**
Unrecognised deferred tax asset	(370,994)	-	(370,994)
	(1,309,953)	**(294,339)**	**(1,604,292)**

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Movements in temporary differences during the year ended 31 December 2017 are presented as follows:

'000 KZT	1 January 2017	Recognised in profit or loss	31 December 2017
Property, plant and equipment	(132,389)	59,419	(72,970)
Available-for-sale financial assets	3,982	(683)	3,299
Other assets	10,277	(2,205)	8,072
Other borrowed funds	(23,010,027)	335,683	(22,674,344)
Deferred income	21,992,953	(614,269)	21,378,684
Other liabilities	28,981	18,325	47,306
Tax loss carry-forward	370,994	-	370,994
	(735,229)	**(203,730)**	**(938,959)**
Unrecognised deferred tax asset	(370,994)	-	(370,994)
	(1,106,223)	**(203,730)**	**(1,309,953)**

11 CASH AND CASH EQUIVALENTS

	2018 '000 KZT	2017 '000 KZT
Nostro accounts with NBRK	**179,831**	**1,291,453**
Nostro accounts with other banks		**-**
rated BBB-	11,937,932	-
rated BB+	479	-
rated BB	4,428,405	3,395,831
rated BB-	7,534,735	2,644,991
rated B+	-	9,950,088
rated B	195,575	405,255
rated B-	221	5,355
rated D	-	2,141,045
rated CCC	-	-
not rated	2,139,533	-
Total gross nostro accounts with other banks	**26,416,711**	**19,834,018**
Impairment allowance	(2,212,284)	(2,141,045)

	2018 '000 KZT	2017 '000 KZT
Total net nostro accounts with banks	**24,204,427**	**17,692,973**
Reverse repurchase agreements		
rated from BBB- to BBB+	21,698,963	4,107,223
Total reverse repurchase agreements	**21,698,963**	**4,107,223**
Total cash and cash equivalents	**45,903,390**	**21,800,196**

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

On 27 December 2016 the NBRK revoked the license of Kazinvestbank JSC (KIB) citing its repeated failures to fulfil its payment operation liabilities. As at 31 December 2018 the Company considers the nostro account held with KIB for the total amount of KZT 2,106,153 thousand fully impaired as based on its understanding of the KIB's current position it does not expect probable future cash flows from the assets (31 December 2017: KZT 2,141,045 thousand).

As at 31 December 2018 the Company has two banks (2017: one bank) whose balance exceeds 10% of equity. The gross value of these balance as at December 2018 is KZT 19,442,212 thousand (2017: KZT 9,899,932 thousand).

During 2018 the Company entered into the reverse REPO transactions with counterparties at Kazakhstan Stock Exchange. These transactions are collateralised with the treasury bills of the Ministry of Finance of the Republic of Kazakhstan and notes of the NBRK. As at 31 December 2018 the fair value of financial assets collateralising reverse repurchase agreements is KZT 22,655,276 thousand (31 December 2017: KZT 4,102,001 thousand).

Analysis of movements in loss allowance

'000 KZT	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents					
Balance at 1 January	140,770	-	2,141,045	2,281,815	2,525,730
Transfer to Stage 3	45	-	(45)	-	-
Net remeasurement of loss allowance	(41,631)	-	(30,174)	(71,805)	93,360
Write-offs	-	-	-	-	(478,045)
Foreign exchange and other movements	2,274	-	-	2,274	-
Balance at 31 December	**101,458**	**-**	**2,110,826**	**2,212,284**	**2,141,045**

12 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018 '000 KZT	2017 '000 KZT
rated BB-	48,221	6,006,411
rated B+	2,426,499	-
not rated	-	102,624
	2,474,720	**6,109,035**
Impairment allowance	(71,899)	-
	2,402,821	**6,109,035**

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

None of the balances of placements are past due.

As at 31 December 2018 the Company placed term deposit with interest rate 13.00% per annum (2017: 9.75%) which has maturity in April 2019 (2017: March 2018).

As at 31 December 2018 the Company has no banks (2017: one bank) whose balances exceed 10% of equity. The gross value of such balance as at 31 December 2017 is KZT 6,006,411 thousand.

Analysis of movements in loss allowance

'000 KZT	2018		2017
	Stage 1	Total	Total
Placements with banks and other financial institutions			
Balance at 1 January	42,129	42,129	-
Net remeasurement of loss allowance	29,770	29,770	-
Balance at 31 December	**71,899**	**71,899**	**-**

13 INVESTMENT SECURITIES/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 '000 KZT	2017 '000 KZT
Investment securities at fair value through profit or loss	4,764,226	-
Investment securities measured at amortised cost	12,119,171	-
Available-for-sale financial assets	-	9,234,246
	16,883,397	**9,234,246**

	31 December 2018 '000 KZT
Investment securities at fair value through profit or loss	
Corporate bonds rated from BB+ to BB-	2,052,732
Corporate bonds rated from B+ to B-	1,745,312
Corporate bonds not rated	966,182
	4,764,226

	31 December 2018 '000 KZT
Investment securities measured at amortised cost	
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	1,501,776
Corporate bonds rated from B to B+	10,620,244
Corporate bonds not rated	2,102,726
	14,224,746
Impairment allowance	(2,105,575)
	12,119,171

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

In February 2018 the Company acquired coupon bonds CCBNb30 issued by Bank CenterCredit JSC for the amount of KZT 10,144,207 thousand.

Corporate bonds represent interest-bearing securities issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Kazakhstan Kagazy JSC ("KK") and "Corporation "APK Invest" LLC ("APK") with gross amounts of KZT 1,117,796 thousand and KZT 984,930 thousand, respectively (31 December 2017: Rosa JSC ("Rosa"), Kazakhstan Kagazy JSC ("KK"), "Corporation "APK Invest" LLC ("APK") and "KT Orda Credit LLC ("OC") with gross amounts of KZT 437,743 thousand, KZT 1,117,796 thousand, KZT 984,930 thousand and KZT 489,519 thousand, respectively). Rosa, KK, APK and OC bonds were excluded from trading on KASE on 2 October 2009, 13 November 2015, 4 July 2017 and 26 January 2018, respectively.

As at 31 December 2018 and 2017 the Company considers bonds fully impaired as based on its understanding of the issuers' financial positions it does not expect probable future cash flows from the assets.

Analysis of movements in loss allowance

Investment securities	Stage 1 1 2-month expected credit losses	Stage 3 Life-time expected credit losses for credit impaired assets	31 December 2018 '000 KZT
Balance at 1 January	19,842	2,668,610	2,688,452
Net remeasurement of loss allowance	(16,993)	(71,484)	(88,477)
Debt writing-off against provisions	-	(494,400)	(494,400)
Balance at the end of the year	**2,849**	**2,102,726**	**2,105,575**

During 2018, a creditor for liabilities of the bond issued by KT Orda Credit LLC changed. Therefore, the amount of a claim of KZT 494,400 thousand was written-off against the provision charged.

	2017 '000 KZT
Available-for-sale financial assets	
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	1,179,676
Corporate bonds rated BBB-	1,222,537
Corporate bonds rated from B+ to B-	4,810,588
Corporate bonds not rated	5,051,433
	12,264,234
Impairment allowance	(3,029,988)
	9,234,246

Analysis of movements in the impairment allowance for available-for-sale financial assets:

	2017 '000 KZT
Balance at the beginning of the year	1,555,539
Net charge	1,474,449
Balance at the end of the year	**3,029,988**

14 LOANS TO CUSTOMERS

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loans comprise KZT and USD denominated mortgage loans due from individuals located in the Republic of Kazakhstan.

	2018 '000 KZT	2017 '000 KZT
Gross mortgage loans to customers	47,753,274	54,057,816
Impairment allowance	(4,686,711)	(4,008,637)
Net loans to customers	**43,066,563**	**50,049,179**

During the year ended 31 December 2018 the Company acquired mortgage loan portfolios from one commercial bank (2017: acquired mortgage loan portfolios from two commercial banks and one mortgage organisation). The loans acquired during 2018 were recorded at their fair value totalling KZT 4,940,099 thousand (2017: KZT 4,129,110 thousand).

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 31 December 2018 and 2017:

	2018 '000 KZT	2017 '000 KZT
Mortgage loans		
- not overdue	40,455,000	48,953,692
- overdue less than 30 days	1,719,524	2,090,382
- overdue 30-89 days	1,101,941	755,102
- overdue 90-179 days	492,809	404,837
- overdue 180-360 days	632,257	131,808
- overdue more than 360 days	3,351,743	1,721,995
Total loans to customers	**47,753,274**	**54,057,816**
Total impairment allowance on loans to customers	(4,686,711)	(4,008,637)
Total net loans to customers	**43,066,563**	**50,049,179**

As at 31 December 2018 carrying amounts of loans with full recourse and partial recourse to the seller were KZT 8,338,280 thousand and KZT 14,047,193 thousand, respectively (31 December 2017: KZT 10,397,029 thousand and KZT 19,684,750 thousand, respectively).

In accordance with agreements on partial recourse, the recourse options do not exceed 20-25% of the total principal amount of mortgage loans at the date of purchase of those loans.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the impairment allowance for loans to customers as at 31 December 2018 would be KZT 1,291,997 thousand lower/higher (31 December 2017: KZT 1,501,475 thousand).

(b) Analysis of movements in loss allowance

'000 KZT	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Loans to customers					
Balance at 1 January	635,112	-	3,955,211	4,590,323	3,562,695
Transfer to Stage 1	9,035	(8,982)	(53)	-	-
Transfer to Stage 2	(5,849)	5,849	-	-	-
Transfer to Stage 3	(10,284)	(9,723)	20,007	-	-
Net remeasurement of loss allowance	(15,199)	50,143	127,120	162,064	448,718
New financial assets originated or purchased	31,209	19,007	6,693	56,909	-
Write-offs	-	-	(133,559)	(133,559)	(1,121)
Foreign exchange and other movements	7,110	3,456	408	10,974	(1,655)
Balance at 31 December	**651,134**	**59,750**	**3,975,827**	**4,686,711**	**4,008,637**

The significant changes in the gross carrying amount of the mortgage portfolio are further explained below:

'000 KZT	2018			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers				
Balance at 1 January	46,493,117	588,240	6,976,459	54,057,816
Transferred to Stage 1	446,686	(421,146)	(25,540)	-
Transferred to Stage 2	(476,744)	477,905	(1,161)	-
Transferred to Stage 3	(720,697)	(51,336)	772,033	-
New financial assets originated or purchased	5,799,691	102,972	37,430	5,940,093
Repayments (early or partial repayment)	(11,320,172)	(123,903)	(800,560)	(12,244,635)
Balance at 31 December	**40,221,881**	**572,732**	**6,958,661**	**47,753,274**

(c) Analysis of collateral

Mortgage loans are secured by the underlying housing real estate.

For loans with recourse to the seller, the commercial banks-partners are responsible for monitoring of collateral on a periodic basis according to requirements of the NBRK. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers and commercial banks-partners rather than the value of collateral, and the current value of the collateral has lesser impact on the impairment assessment.

The following tables provide information on real estate collateral securing mortgage loans, net of impairment:

'000 KZT	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as at loan inception date	Fair value of collateral not determined
31 December 2018				
Not overdue loans	39,413,303	37,558,619	1,821,684	33,000
Overdue loans	3,653,260	3,587,447	64,863	951
	43,066,563	**41,146,066**	**1,886,547**	**33,951**
31 December 2017				
Not overdue loans	46,807,119	42,651,446	13,384	4,142,289
Overdue loans	3,242,060	3,210,826	-	31,234
	50,049,179	**45,862,272**	**13,384**	**4,173,523**

The tables above exclude overcollateralisation.

The Company updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Company may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment.

Repossessed collateral

The Company obtains certain assets by taking possession of collateral for loans to retail customers. As at 31 December 2018, the carrying amount of such assets was KZT 946,615 thousand (2017: KZT 1,197,831 thousand), which consisted of investment property of KZT 647,704 thousand (2017: KZT 917,489 thousand) and other assets of KZT 298,911 thousand (2017: KZT 280,342 thousand).

The Company's policy is to sell these assets.

(d) Asset securitisation

Loans to customers with the amount of principal of KZT 18,218,416 thousand

(2017: KZT 18,899,802 thousand) serve as collateral for debt securities issued by the Company.

As at 31 December 2018, the carrying amount of these debt securities is KZT 16,840,429 thousand (31 December 2017: KZT 17,141,829 thousand). Refer to Note 20.

(e) Significant credit exposures

As at 31 December 2017 the Company has one bank not rated (2017: one bank rated B-) to whom the Company has recourse in respect of its purchased loans, whose loan exposures exceed 10% of equity. The gross value of this balance as at 31 December 2018 is KZT 10,609,795 thousand (2017: KZT 7,956,252 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 25 (e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

15 FINANCE LEASE RECEIVABLES

The components of net investments in finance lease as at 31 December 2018 and 2017 are as follows:

	2018 '000 KZT	2017 '000 KZT
Within one year	10,298,630	8,450,647
More than one year, but less than five years	41,555,484	33,849,644
More than five years	134,837,019	115,081,647
Minimum lease payments	**186,691,133**	**157,381,938**
Less: unearned finance income		
Less than one year	(4,218,732)	(3,581,758)
From one to five years	(15,860,417)	(13,452,112)
More than five years	(24,733,651)	(22,216,162)
Less unearned finance income, total	**(44,812,800)**	**(39,250,032)**
Less: impairment allowance	(725,237)	(293,484)
Net investment in finance lease	**141,153,096**	**117,838,422**

The Company leases out housing real estate under Nurly Zher and Own programme.

These lease agreements are classified as finance lease under IAS 17 because ownership of the assets gets transferred to lessees by the end of the lease term, and at the inception the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

The finance lease agreements for Own programme have a maturity term up to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements for Nurly Zher have a maturity term of 20 years and monthly lease payments limited to KZT 1,120 per square meter for Almaty and Astana cities and KZT 924 per square meter in other regions. The interest rate implicit in the lease payments under Nurly Zher program is 3.1%.

Analysis of collateral, continued

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment, as at 31 December 2018 and 2017, by types of collateral

‘000 KZT	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as at loan inception date	Fair value of collateral not determined
31 December 2018				
Not overdue loans	127,525,841	127,525,841	-	-
Overdue loans	13,627,255	13,627,255	-	-
	141,153,096	**141,153,096**	**-**	**-**

'000 KZT	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as at loan inception date	Fair value of collateral not determined
31 December 2017				
Not overdue loans	109,538,386	109,538,386	-	-
Overdue loans	8,300,036	8,300,036	-	-
	117,838,422	**117,838,422**	**-**	**-**

The tables above exclude overcollateralisation.

The Company has no finance lease receivables, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined. Information on valuation of collateral is based on when this estimate was made, if any.

The recoverability of finance lease receivables which are neither past due nor impaired primarily depends on the creditworthiness of a lessee rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(a) Credit quality of finance lease receivables

The following table provides information on credit quality of finance lease receivables as at 31 December 2018 and 2017:

	2018 '000 KZT	2017 '000 KZT
Finance lease receivables under Own Programme		
not overdue	1,954,634	2,082,982
overdue less than 30 days	7,916	-
overdue 30-89 days	-	13,167
overdue 90-179 days	6,337	
overdue 180-360 days	13,369	28,390
overdue more than 360 days	-	98,973
Total finance lease receivables under Own Programme	**1,982,256**	**2,223,512**
Impairment allowance on finance lease receivables under Own Programme	(140,733)	(36,954)
Net finance lease receivables under Own Programme	**1,841,523**	**2,186,558**

	2018 '000 KZT	2017 '000 KZT
Finance lease receivables under Nurly Zher Programme		
not overdue	126,364,539	107,958,744
overdue less than 30 days	8,447,682	6,406,354
overdue 30-89 days	3,950,513	1,416,149
overdue 90-179 days	786,534	112,424
overdue 180-360 days	314,632	7,268
overdue more than 360 days	32,177	7,455
Total finance lease receivables under Nurly Zher Programme	**139,896,077**	**115,908,394**
Impairment allowance on finance lease receivables under Nurly Zher Programme	(584,504)	(256,530)
Net finance lease receivables under Nurly Zher Programme	**139,311,573**	**115,651,864**
Total finance lease receivables	**141,878,333**	**118,131,906**
Total impairment allowance on finance lease receivables	(725,237)	(293,484)
Total net finance lease receivables	**141,153,096**	**117,838,422**

Analysis of movements in loss allowance

Movement in the allowance for finance lease receivables in 3 stages, as at the beginning and end of the period is as follows:

'000 KZT	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Finance lease receivables					
Balance at 1 January	136,902	140,785	93,349	371,036	467,670
Transfer to Stage 1	1,676	(1,448)	(228)	-	-
Transfer to Stage 2	(4,699)	7,144	(2,445)	-	-
Transfer to Stage 3	(970)	(24,856)	25,826	-	-
Net remeasurement of loss allowance	48,507	243,024	(13,666)	277,865	(174,186)
New financial assets originated or purchased	44,709	28,686	2,941	76,336	-
Balance at 31 December	**226,125**	**393,335**	**105,777**	**725,237**	**293,484**

Significant changes in gross carrying amount of finance lease receivables are as follows:

'000 KZT	2018			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	116,411,212	1,434,595	286,099	118,131,906
Transferred to Stage 1	717,847	(675,940)	(41,907)	-
Transferred to Stage 2	(3,607,252)	3,640,243	(32,991)	-
Transferred to Stage 3	(715,328)	(333,231)	1,048,559	-
New financial assets originated or purchased	28,467,173	272,310	39,428	28,778,911
Financial assets that have been derecognised	(4,712,341)	(168,977)	(151,166)	(5,032,484)
Balance at 31 December	**136,561,311**	**4,169,000**	**1,148,022**	**141,878,333**

16 ADVANCES PAID FOR ACQUISITION AND CONSTRUCTION OF REAL ESTATE

Advances paid for acquisition and construction of real estate comprise advances made by the Company for housing real estate to be acquired from third parties. The Company plans to lease it out under finance lease, once the legal title on the property passes to the Company.

	2018 '000 KZT	2017 '000 KZT
Baiterek Development JSC	914,930	2,000,000
VK-Technogrup LLP	57,757	1,379,824
Other	-	366,923
	972,687	**3,746,747**

17 ASSETS TO BE TRANSFERRED UNDER FINANCE LEASE AGREEMENTS

Assets to be transferred under finance lease contracts comprise the residential complexes purchased during the reporting period which the Company is planning to transfer to the lessees in 2019.

The major portion of the assets relates to assets to be transferred under Nurly Zher programme.

During 2018, the largest micro districts acquired by the Company are located in city of Almaty and Almaty region in the total amount of KZT 2,173,940 thousand (2017: micro districts in city of Almaty and Almaty region in the total amount of KZT 4,695,715 thousand).

18 CONSTRUCTION IN PROGRESS

Construction in progress represents capitalised costs incurred by the Company during construction of residential real estate in different regions of Kazakhstan as part of implementation of the state and government programs adopted before (State program of Infrastructure Development Nurly zhol for 2015-2019 adopted in accordance with the Edict of the President of the RK dated 6 April 2015, No.1030; "Regions Development Program till 2020" approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014) integrated into the Housing Construction Program Nurly Zher, which in turn, ceased to be in force as a result of approval of Decree # 372 of the Government of the RK dated 22 June 2018 of the State Housing Construction Program (hereinafter, the "Program"). The Company will lease out the constructed housing estate in accordance with the terms established by the Nurly Zher Program through signing the finance lease contracts.

As at 31 December 2018 the largest construction projects relate to projects of construction of unit 63 in 19th residential areas located in Ust-Kamenogorsk, a micro district located between highways Uralsk - Atyrau and Uralsk - Saratov and microdistrict 14 located in Karaganda in the amount of KZT 1,742,080 thousand, KZT 1,264,415 thousand and KZT 1,043,426 thousand, respectively (2017: micro districts "Zhas-Kanat" located in Almaty, "micro district #32A" located in Aktau, and "Nur-Aktobe" located in Aktobe in the amounts of KZT 14,302,250 thousand, KZT 3,151,947 thousand and KZT 1,107,736 thousand, respectively).

19 OTHER ASSETS

	2018 '000 KZT	2017 '000 KZT
Receivable from sale of assets held for sale	1,002,020	1,269,948
Receivables on loan acquisition transactions	7,147	2,849,920
Other receivables	156,616	163,312
Impairment allowance	(681,070)	(204,135)
Total other financial assets	**484.713**	**4,079,045**
Foreclosed property	298,911	280,342
Intangible assets	211,387	177,387
Other prepayments	140,556	112,618
Receivables from government duties	83,524	57,258
Inventories	23,331	24,135
Other	55,312	111,280
Total other non-financial assets	**813,021**	**763,020**
Total other assets	**1,297,734**	**4,842,065**

Foreclosed property comprises real estate collateral accepted by the Company in exchange for its rights and obligations under impaired mortgage loans.

As at 31 December 2018, premium paid for unregistered and early repaid rights of claim was offset against outstanding payables on such rights of claim (Note 23).

Impairment allowance in the amount of KZT 501,319 thousand relates to receivables from sale of assets held for sale not repaid within the contractual term.

In December 2018, in accordance with the agreement, a creditor for bonds of KT Orda Credit LLP in the amount of KZT 494,400 thousand, changed. Debt of KT Orda Credit LLP was transferred to another creditor. As at 31 December 2018, the Company treats this debt as fully impaired.

Analysis of movements in loss allowance

'000 KZT	2018				2017
	Stage 1	Stage 2	Stage 3	Total	Total
Other financial assets					
Balance at 1 January	11,545	-	184,261	195,806	26,637
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	(6,595)	4,128	480,821	478,354	177,498
Foreign exchange and other movements	6,910	-	-	6,910	-
Balance at 31 December	**11,860**	**4,128**	**665,082**	**681,070**	**204,135**

20 DEBT SECURITIES ISSUED

Debt securities issued as at 31 December 2018 and 2017 comprised KZT denominated bonds.

Emission	Maturity date	Nominal coupon rate	Effective rate	2018 '000 KZT	2017 '000 KZT
KZ2C0Y07E517	26.07.2020	8.5%	8.50%	10,359,342	10,355,151
KZ2C0Y08D913	24.12.2018	1.00%+NBRK refinancing rate (limited to maximum 10%, minimum 6%)	17.08%	10,500,000	9,963,200
KZ2C0Y05E503	26.07.2018	8.00%	8.00%	-	8,190,622
KZ2C0Y10F013	15.12.2027	10.5%	10.50%	19,704,387	8,526,339
KZX000000054	28.12.2033	9.6%	9.6%	20,015,966	-
KZ2C0Y08E218	02.04.2020	7.00%	7.00%	6,340,429	6,141,902
				66,920,124	**43,177,214**

Debt securities with ISIN #KZ2C0Y08D913 and #KZ2C0Y08E218 are secured under the bank loan agreements issued by the Company and rights of claims under the contracts of bank loans acquired from the partner banks by means of purchase of the mortgage certificates or signing the contracts of assignment of the right of claim (cession contracts) (Note 14) for a total amount of KZT 18,218,416 thousand (2017: KZT 18,899,802 thousand).

In accordance with the bond issue prospects, the Company repaid the principal amount of issued securities in the amount of KZT 7,920,500 thousand and placed the issued securities in the amount of KZT 11,356,189 thousand. In December 2018, the Company placed issued unsecured coupon bonds (ISIN: KZX000000054) in the amount of KZT 20,000,000 thousand.

The floating rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

21 OTHER BORROWED FUNDS

	2018 '000 KZT	2017 '000 KZT
Loan from National Management Holding Baiterek JSC	26,753,934	25,596,002
Due to the Government of the Republic of Kazakhstan	4,566,711	4,236,797
	31,320,645	**29,832,799**

As at 31 December 2018 and 31 December 2017, other borrowed funds comprised loans from the NMC "Baiterek" JSC under the State Program of Infrastructure Development Nurly Zhol for 2015-2019 adopted in accordance with the Edict of the President of the RK dated 6 April 2015, No.1030; "Regions Development Program till 2020" program approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014, which were integrated in the Program of Housing Construction Nurly Zher with regard to construction and acquisition of the leased and credit housing (currently, the State Program of Housing Construction "Nurly Zher" approved by Decree #372 of the Government of the RK dated 22 June 2018). As set out in the Nurly Zher Program, the purpose of the loans is to finance construction and acquisition of housing real estate to be further leased out under finance lease. The loans bear a nominal interest rate of 0.15% per annum and mature in January 2045, January 2046 and June 2046. The principal is repayable at maturity. At initial recognition these 4 loans were recognised at fair value measured by applying estimated relevant market interest rates ranging from 6.9% to 8.0% to discount the contractual future cash flows. The discount on these loans is recognised as deferred income (Note 22).

Amounts due to the Government of the Republic of Kazakhstan consist of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second-tier banks. The loan carries a nominal interest rate of 0.1% per annum with principal repayable at maturity in December 2027. The fair value of the loan at initial recognition was estimated by discounting the contractual future cash flows of the loan using management's estimate of a long-term market borrowing rate for the Company of 8% p.a.

During 12-month period ended 31 December 2017, the Company repaid principal on a loan from Halyk Savings Bank of Kazakhstan JSC in accordance with the repayment schedules in amounts of KZT 7,150,000 thousand.

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2018:

'000 KZT	Liabilities		Total
	Debt securities issued	Other borrowed funds	
Balance at 1 January 2018	**43,177,214**	**29,832,799**	**73,010,013**
Changes from financing cash flows			
Proceeds from debt securities issued	31,356,189	-	31,356,189
Repurchase / Repayment of debt securities issued	-7,920,500	-	-7,920,500
Repayment of other borrowed funds	-	-1,621,372	-1,621,372
Total changes from financing cash flows	**66,612,903**	**28,211,427**	**94,824,330**
Interest expense	5,039,926	2,310,921	7,350,847
Recalculation of discount due to partial repayment	-	1,008,354	1,008,354
Interest paid	-4,732,705	-210,057	-4,942,762
Balance at 31 December 2018	**66,920,124**	**31,320,645**	**98,240,769**

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2017:

'000 KZT	Liabilities			Total
	Debt securities issued	Subordinated debt securities issued	Other borrowed funds	
Balance at 1 January 2017	**37,334,185**	**10,152,242**	**35,159,984**	**82,646,411**
Changes from financing cash flows				
Repurchase / Repayment of debt securities issued	-9,599,700	-	-	-9,599,700
Proceeds from debt securities issued	14,374,280	-	-	14,374,280
Repayment of subordinated debt securities issued	-	-10,000,000	-	-10,000,000
Repayment of other borrowed funds	-	-	-7,150,000	-7,150,000
Total changes from financing activities cash flows	**42,108,765**	**152,242**	**28,009,984**	**70,270,991**
Interest expense	3,465,068	247,758	2,472,220	6,185,046
Interest paid	-2,396,619	-400,000	-649,405	-3,446,024
Balance at 31 December 2017	**43,177,214**	**-**	**29,832,799**	**73,010,013**

22 DEFERRED INCOME

	2018 '000 KZT	2017 '000 KZT
Balance at the beginning of the year	106,893,420	109,964,767
Reversal of discount due to early repayment of other borrowed funds (Note 21)	(1,008,353)	-
Amortisation for the year	(3,758,780)	(3,071,347)
Balance at the end of the year	**102,126,287**	**106,893,420**

During the period ended 31 December 2018, the Company repaid other borrowed funds in the amount of KZT 1,621,372 thousand ahead of initial schedule. Therefore, a discount of KZT 1,008,353 thousand recognised in deferred income was reversed.

23 OTHER LIABILITIES

	2018 '000 KZT	2017 '000 KZT
Payable for rights on loans acquired	-	6,404,853
Advances received from borrowers	1,674,426	1,725,836
Interest strip payable	682,204	735,546
Professional services	13,039	63,037
Loan portfolios servicing fee payable	44,226	24,116
Total other financial liabilities	**2,413,895**	**8,953,388**

	2018 '000 KZT	2017 '000 KZT
Contract enforcement fees payable	422,057	989,018
Payables to employees	186,869	219,295
Guarantee fees payable	153,585	134,824
Other taxes payable	9,557	62,680
Other non-financial liabilities	282,025	102,861
Total other non-financial liabilities	**1,054,093**	**1,508,678**
Total other liabilities	**3,467,988**	**10,462,066**

24 SHARE CAPITAL AND RESERVES

(a) Issued capital and share premium

As at 31 December 2018 and 2017 authorised share capital comprises 13,681,000 ordinary shares. As at 31 December 2018 issued and outstanding share capital comprises 6,331,380 shares (2017: 6,331,380), including treasury shares (Note (c) below). During 2017 the Company issued 520,000 ordinary shares with the total value of KZT 5,200,000 thousand. All shares have a nominal value of KZT 10 thousand.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or profit for the reporting period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

During the year ended 31 December 2018, dividends in the amount of KZT 1,108,575 thousand or KZT 182.29 per ordinary share were declared and paid relating to the previous year results of the Company (2017: dividends in the amount of KZT 926,802 thousand or KZT 146.38 per ordinary share were declared and paid relating to the previous year results).

(c) Treasury shares

As at 31 December 2018 and 2017 the Company held 250,000 of its own shares.

(d) Reserve capital

The Company has established a reserve capital in accordance with a decision of shareholders. As at 31 December 2018 and 2017 the reserve capital amounted to KZT 2,734,447 thousand. This reserve capital is available for distribution.

During the years ended 31 December 2018 and 2017 the shareholders did not make any transfer from accumulated losses to this reserve capital.

(f) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit or loss for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

	2018 г.	2017 г.
Profit for the year, in thousands of KZT	4,619,146	3,695,123
Weighted average number of ordinary shares	6,081,380	5,948,887
Basic and diluted earnings per share, in KZT	**760**	**621**

За годы, закончившиеся 31 декабря 2018 и 2017 годов, акции, имеющие потенциальный разводняющий эффект, отсутствуют.

(g) Book value per share

Under the listing rules of the KSE the Company should present book value per share in its financial statements. The book value per share is calculated dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2018 the book value per share was KZT 10,146.74 (2017: KZT 9,641.25).

25 RISK MANAGEMENT

Management of risk is fundamental to the lending business and is an essential element of the Company's operations. The major risks faced by the Company are those related to interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

The Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Company is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. The Head of Risk Department of the Company is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

The Asset Liability and Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board and the Board of Directors.

Both external and internal risk factors are identified and managed throughout the Company's organisational structure. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart

from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise. The Board of Directors on a regular basis examines reports on risks.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset, Liability and Risk Management Committee.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board and the Board of Directors.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2018							
ASSETS							
Cash and cash equivalents	44,780,210	-	-	-	-	1,123,180	45,903,390
Placements with banks and other financial institutions	26,499	2,376,322	-	-	-	-	2,402,821
Investment securities:							
- at fair value through profit or loss	113,098	11,300	2,080,815	2,559,013	-	-	4,764,226
- at amortised cost	483,334	-	15,279	-	11,620,558	-	12,119,171
Loans to customers	1,482,281	1,089,280	2,196,753	18,115,330	20,182,919	-	43,066,563
Finance lease receivables	1,637,118	1,477,056	2,989,450	25,691,013	109,358,459	-	141,153,096
Other financial assets	-	-	-	-	-	484,713	484,713
Total assets	**48,522,540**	**4,953,958**	**7,282,297**	**46,365,356**	**141,161,936**	**1,607,893**	**249,893,980**
LIABILITIES							

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
Debt securities issued	10,865,972	219,107	-	16,221,192	39,613,853	-	66,920,124
Other borrowed funds	76,292	14,632	125	-	31,229,596	-	31,320,645
Other financial liabilities	-	-	-	-	-	2,413,895	2,413,895
Total liabilities	**10,942,264**	**233,739**	**125**	**16,221,192**	**70,843,449**	**2,413,895**	**100,654,664**
NET POSITION	**37,580,276**	**4,720,219**	**7,282,172**	**30,144,164**	**70,318,487**	**-806,002**	**149,239,316**
31 December 2017							
ASSETS							
Cash and cash equivalents	20,027,035	-	-	-	-	1,773,161	21,800,196
Placements with banks and other financial institutions	6,006,411	-	-	-	-	102,624	6,109,035
Available-for-sale financial assets	3,251,779	1,614,462	3,203,609	-	1,164,396	-	9,234,246
Loans to customers	2,687,910	1,044,926	2,154,910	18,697,567	25,463,866	-	50,049,179
Finance lease receivables	1,325,093	1,171,860	2,371,935	20,397,532	92,572,002	-	117,838,422

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
Other financial assets	-	-	-	-	-	4,119,868	4,119,868
Total assets	**33,298,228**	**3,831,248**	**7,730,454**	**39,095,099**	**119,200,264**	**5,995,653**	**209,150,946**
				LIABILITIES			
Debt securities issued	638,789	10,115,474	7,917,805	16,018,473	8,486,673	-	43,177,214
Other borrowed funds	76,292	15,990	125	-	29,740,392	-	29,832,799
Other financial liabilities	-	-	-	-	-	8,953,388	8,953,388
Total liabilities	**715,081**	**10,131,464**	**7,917,930**	**16,018,473**	**38,227,065**	**8,953,388**	**81,963,401**
NET POSITION	**32,583,147**	**-6,300,216**	**-187,476**	**23,076,626**	**80,973,199**	**-2,957,735**	**127,187,545**

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2018 and 2017. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2018 г. Average effective interest rate, %		2017 г. Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents	7.84	0.5	9.38	0.5
Placements with banks and other financial institutions	13	-	9.75	-
Investment securities:	6.6	-	н/п	н/п
- at fair value through profit or loss				
- at amortised cost	10.67	-	н/п	н/п
Available-for-sale financial assets	н/п	н/п	8.23	-
Loans to customers	12.43	13.7	12.51	13.67
Finance lease receivables	Nominal interest rate – 3.21 (imputed interest rate – 7.07)	-	Nominal interest rate – 3.25 (imputed interest rate – 7.67)	-
Interest bearing liabilities				
Debt securities issued	10.9	-	11.14	-
Other borrowed funds	7.2	-	7.21	-

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2018 and 2017 is as follows:

	2018 '000 KZT		2017 '000 KZT	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	365,645	365,645	196,206	196,206
100 bp parallel fall	-365,645	-365,645	-196,206	-196,206

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2018 and 2017 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2018 '000 KZT		2017 '000 KZT	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	(333,192)	(333,192)	-	(208,549)
100 bp parallel fall	301,967	301,967	-	219,536

(c) Currency risk

The Company has assets and liabilities denominated in USD.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018 and 2017:

	USD	
	2018 '000 KZT	2017 '000 KZT
Assets		
Cash and cash equivalents	761,567	371,341
Loans to customers	131,694	1,218,455
Other assets	5,082	2,602,190
Total financial assets	**898,343**	**4,191,986**
Liabilities		
Other liabilities	507	4,687,017
Total financial liabilities	**507**	**4,687,017**
Net on and off balance sheet position	**897,836**	**(495,031)**

In accordance with Decree No.69 of the National Bank of the Republic of Kazakhstan "On approval of the mortgage loans refinancing program", the Company has refinanced currency loans to vulnerable social groups with a total carrying amount of KZT 877,959 thousand. The amount of overdue foreign currency loans of these customers was converted into KZT using exchange rate during 2015, which was KZT 188.35 per USD 1. As a result of this, the Company incurred loss in the amount of KZT 427,226 thousand from derecognition of foreign currency loans stated at amortised cost.

A change in the value of the KZT, as indicated below, against the following currencies at 31 December 2018 and 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2018 '000 KZT		2017 '000 KZT	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT	143,654	143,654	(79,205)	(79,205)
5% depreciation of USD against KZT	(35,913)	(35,913)	19,801	19,801

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board and the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan credit applications;
- methodology for the credit assessment of borrowers;
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by obtaining high quality collateral, the receipt of a guarantees and obtaining recourse to the seller of the loans.

The Company's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2018 '000 KZT	2017 '000 KZT
Assets		
Cash and cash equivalents	45,903,390	21,800,196
Placements with banks and other financial institutions	2,402,821	6,109,035
Investment securities:	4,764,226	-
- at fair value through profit or loss		
- at amortised cost	12,119,171	-
Available-for-sale financial assets	-	9,234,246
Loans to customers	43,066,563	50,049,179
Finance lease receivables	141,153,096	117,838,422
Other financial assets	484,713	4,119,868
Total maximum exposure	**249,893,980**	**209,150,946**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 14.

As at 31 December 2018 and 2017 the Company has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include

financial assets and financial liabilities that:

- are offset in the Company's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether, they are offset in the statement of financial position.

The agreements include global master repurchase agreements. Such financial instruments include sale and repurchase agreements and reverse sale and repurchase agreements. The Company receives and accepts collateral in the form of cash and marketable securities in respect of these sale and repurchase and reverse sale and repurchase agreements.

The Company's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The Company's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Information on the financial instruments such as loans and deposits is not disclosed in the tables below, except for the cases when they are offset in the statement of financial position. The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements:

'000 KZT	Gross amounts of recognised financial asset/ liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instru-ments	Cash collateral received	
31 December 2017						
Reverse repurchase agreements	4,107,223	-	4,107,223	-4,107,223	-	-
Total financial assets	4,107,223	-	4,107,223	-4,107,223	-	-
31 December 2018						
Reverse repurchase agreements	21,698,963	-	21,698,963	-21,698,963	-	-
Total financial assets	21,698,963	-	21,698,963	-21,698,963	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

Assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Company's liquidity policy is reviewed by the Management Board and approved by the Board of Directors.

The Company seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Company requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment. The Company's expected cash flows on these financial liabilities may vary significantly from this analysis.

The liquidity position of the Company as at 31 December 2018 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Debt securities issued	10,500,000	425,000	2,204,245	2,629,245	33,396,745	66,708,000	115,863,235	66,920,124
Other borrowed funds	86,250	-	26,206	86,250	794,826	136,816,167	137,809,699	31,320,645
Other financial liabilities	63,582	1,295,080	44,883	505,602	538,037	452,255	2,899,439	2,413,895
Total	**10,649,832**	**1,720,080**	**2,275,334**	**3,221,097**	**34,729,608**	**203,976,422**	**256,572,373**	**100,654,664**

The liquidity position of the Company as at 31 December 2017 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Debt securities issued	1,241,987	-	1,173,995	19,836,482	22,460,903	12,962,500	57,675,867	43,177,214
Other borrowed funds	86,250	-	28,638	95,270	840,633	147,487,470	148,538,261	29,832,799
Other financial liabilities	15,489	1,235,005	45,305	7,070,816	565,919	526,402	9,458,936	8,953,388
Total	**1,343,726**	**1,235,005**	**1,247,938**	**27,002,568**	**23,867,455**	**160,976,372**	**215,673,064**	**81,963,401**

The table below show an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2018:

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	45,903,390	-	-	-	-	-	45,903,390
Placements with banks and other financial institutions	26,499	-	2,376,322	-	-	-	2,402,821
Investment securities:							
at fair value through profit or loss	82,000	31,098	2,092,115	2,559,013	-	-	4,764,226
at amortised cost	-	483,334	15,279	-	11,620,558	-	12,119,171
Loans to customers	754,913	727,368	3,286,033	18,115,330	20,182,919	-	43,066,563
Finance lease receivables	658,891	978,227	4,466,506	25,691,013	109,358,459	-	141,153,096

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Current tax asset	-	-	-	-	-	2,045,362	2,045,362
Advances paid for acquisition and construction of real estate	-	-	972,687	-	-	-	972,687
Assets to be transferred under finance lease agreements	-	-	-	-	-	5,180,554	5,180,554
Construction in progress	-	-	5,643,479	-	-	-	5,643,479
Property, plant and equipment	-	-	-	-	-	2,129,083	2,129,083
Investment property	-	-	-	-	-	647,704	647,704
Other assets	12,954	83,782	366,609	55,616	1,191	777,582	1,297,734
Total assets	**47,438,647**	**2,303,809**	**19,219,030**	**46,420,972**	**141,163,127**	**10,780,285**	**267,325,870**

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Liabilities							
Debt securities issued	10,500,000	365,972	219,107	16,221,192	39,613,853	-	66,920,124
Other borrowed funds	76,292	-	14,757	-	31,229,596	-	31,320,645
Deferred income	-	-	-	-	102,126,287	-	102,126,287
Deferred tax liability	-	-	-	-	1,604,292	-	1,604,292
Other liabilities	532,892	1,498,429	864,961	351,108	190,598	30,000	3,467,988
Total liabilities	**11,109,184**	**1,864,401**	**1,098,825**	**16,572,300**	**174,764,626**	**30,000**	**205,439,336**
Net position as at 31 December 2018	**36,329,463**	**439,408**	**18,120,205**	**29,848,672**	**-33,601,499**	**10,750,285**	**61,886,534**
Net position as at 31 December 2017	22,491,039	7,964,963	11,787,843	17,575,959	-15,508,407	14,498,096	58,809,493

В таблице представлен анализ по срокам погашения сумм, признанных в отчете о финансовом положении по состоянию на 31 декабря 2017 года:

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	21,800,196	-	-	-	-	-	21,800,196
Placements with banks and other financial institutions	6,411	6,000,000	-	-	-	102,624	6,109,035
Available-for-sale financial assets	180,750	38,308	3,399,392	2,764,021	2,851,775	-	9,234,246
Loans to customers	801,278	709,539	3,348,074	19,314,787	25,875,501	-	50,049,179
Finance lease receivables	549,023	776,070	3,543,795	20,397,532	92,572,002	-	117,838,422
Current tax asset	-	-	-	-	-	2,645,992	2,645,992
Advances paid for acquisition and construction of real estate	-	2,203,267	1,543,480	-	-	-	3,746,747
Assets to be transferred under finance lease agreements	-	-	-	-	-	7,652,924	7,652,924

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Construction in progress	-	-	23,475,511	-	-	-	23,475,511
Property, plant and equipment	-	-	-	-	-	2,173,139	2,173,139
Investment property	-	-	-	-	-	917,489	917,489
Other assets	20,782	96,058	3,702,262	1,886	2,319	1,018,758	4,842,065
Total assets	**23,358,440**	**9,823,242**	**39,012,514**	**42,478,226**	**121,301,597**	**14,510,926**	**250,484,945**
Liabilities							
Debt securities issued	638,789	-	18,033,279	16,018,473	8,486,673	-	43,177,214
Other borrowed funds	76,292	-	16,115	-	29,740,392	-	29,832,799
Deferred income	91,743	198,797	1,094,780	8,461,672	97,046,428	-	106,893,420
Deferred tax liability	-	-	-	-	1,309,953	-	1,309,953
Other liabilities	60,577	1,659,482	8,080,497	422,122	226,558	12,830	10,462,066

'000 KZT	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total
Total liabilities	**867,401**	**1,858,279**	**27,224,671**	**24,902,267**	**136,810,004**	**12,830**	**191,675,452**
Net position as at 31 December 2017	**22,491,039**	**7,964,963**	**11,787,843**	**17,575,959**	**-15,508,407**	**14,498,096**	**58,809,493**

26 CAPITAL MANAGEMENT

The Company defines as capital the following items defined by statutory regulation as capital for mortgage companies:

Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' statutory retained earnings, accumulated losses and reserves created thereof and preference shares (within 15% of ordinary share capital) less intangible assets and current year statutory losses;

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's statutory income, revaluation reserves, preference shares (in excess of 15% of ordinary share capital), qualifying subordinated liabilities and collective impairment allowance in the amount not exceeding 1.25% of credit risk-weighted assets.

Total capital, which is the sum of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital) less investments into equity or subordinated debt.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

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

- a ratio of tier 1 capital to total statutory assets (k1);

- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1-3).

	2018 '000 KZT	2017 '000 KZT
Tier 1 capital		
Share capital	60,728,939	60,728,939
General reserves	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Intangible assets	-58,912	-21,711
Statutory accumulated losses for prior years	-12,018,854	-12,805,108
Total tier 1 capital	**57,208,476**	**56,459,423**
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	-	-1,366,764

	2018 '000 KZT	2017 '000 KZT
Net profit for the year in accordance with the NBRK requirements	4,619,146	3,695,123
Total tier 2 capital	**4,619,146**	**2,328,359**
Total capital	**61,827,622**	**58,787,782**
Total statutory assets	267,309,374	250,484,945
Credit risk weighted assets and contingent liabilities	236,295,782	235,980,230
Operational risk	6,772,035	6,772,035
Total credit risk weighted assets and contingent liabilities plus operational risk	243,067,817	242,752,265
k1 ratio	**21%**	**23%**
k1-2 ratio	**24%**	**24%**
k1-3 ratio	**25%**	**24%**

As at 31 December 2018 and 2017 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%;
- k1-2 – 6%;
- k1-3 – 12%.

27 CONTINGENCIES

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or related to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigation

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

(c) Taxation contingencies in Kazakhstan

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

28 RELATED PARTY TRANSACTIONS

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration included in employee compensation is as follows (refer to Note 8):

	2018 '000 KZT	2017 '000 KZT
Members of the Board of Directors	20,967	46,483
Members of the Management Board	106,744	93,144
	127,711	**139,627**

The above amounts include cash and non-cash benefits in respect of the members of the Management Board and Board of Directors.

The outstanding balances and average interest rates as at 31 December 2018 and 2017 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2018 '000 KZT	Average interest rate, %	2017 '000 KZT	Average interest rate, %
Statement of financial position				
Other liabilities	35,861	-	25,200	-

Amounts included in profit or loss in relation to transactions with the members of the Management Board and the Board of Directors for the year ended 31 December are as follows:

	2018 '000 KZT	2017 '000 KZT
Profit or loss		
Interest income	-	50

(b) Transaction with other related parties

Other related parties include "NMH Baiterek" JSC and its subsidiaries (together the "Baiterek Group") and other State organisations.

The amounts below are included in the statement of financial position, income statement and statement of comprehensive income for transactions with related parties as at 31 December 2018 and 2017:

	2018 '000 KZT		2017 '000 KZT	
	Baiterek Group	State organisations	Baiterek Group	State organisations
Statement of profit or loss				
Interest income	3,937,254	1,084,411	3,071,347	170,206

	2018 '000 KZT		2017 '000 KZT	
	Baiterek Group	State organisations	Baiterek Group	State organisations
Interest expense	-3,026,020	-1,465,689	-2,654,590	-1,881,489
Commission expense	-	-957	-	-1,123
Net foreign exchange loss	-	-	-	-
Net gain from repurchase of debt securities issued	-	-	-	-
Other income	-	68,946	-	303,265
General and administrative expenses	-55,111	-538,604	-131,200	-463,009
Income tax expense	-	-1,195,768	-	-1,216,314
Other comprehensive loss	**-**	**-**	**-**	**-**
Net change in fair value of available-for-sale financial assets	-	-	-	28,468

The balances with related parties as at 31 December 2018 include:

	Baiterek Group		State organisations	
	'000 KZT	Average interest rate, %	'000 KZT	Average interest rate, %
Cash and cash equivalents	11,915,286	7.75	21,878,794	8.23
Placements with banks	-	-	-	
Investment securities:	-	-	-	
- at fair value through profit or loss				
- at amortised cost	-	-	1,498,928	5.57
Current tax asset	-	-	2,045,362	-
Advances paid under finance lease	914,931	-	-	-

	Baiterek Group		State organisations	
	'000 KZT	Average interest rate, %	'000 KZT	Average interest rate, %
Other assets	-	-	25,397	-
Debt securities issued	28,320,637	10.9	10,412,650	12.15
Subordinated debt securities issued	-	-	-	-
Other borrowed funds	26,753,934	0.15	4,566,711	0.1
Deferred income	102,126,287	-	-	
Deferred tax liability	-	-	1,604,292	
Other liabilities	93,701	-	432,507	

The balances with related parties as at 31 December 2017 include:

	Baiterek Group		State organisations	
	‘000 KZT	Average interest rate, %	‘000 KZT	Average interest rate, %
Cash and cash equivalents			4,107,223	9.29
Placements with banks	-	-	1,291,453	6.55
Available-for-sale financial assets	-	-	2,402,212	8.7
Current tax asset	-	-	2,645,992	-
Advances paid under finance lease	2,000,000	-	-	-
Other assets	-	-	137,485	-

	Baiterek Group		State organisations	
	'000 KZT	Average interest rate, %	'000 KZT	Average interest rate, %
Debt securities issued	8,020,915	11.19	16,918,662	9.25
Other borrowed funds	25,596,002	0.15	4,236,797	0.1
Deferred income	106,893,420	-	-	-
Deferred tax liability	-	-	1,309,953	-
Other liabilities	59,600	-	643,221	-
Reserves on revaluation of available-for-sale financial assets	-	-	-344,458	-

29 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATION

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

'000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	45,903,390	-	45,903,390	45,903,390
Placements with banks and other financial institutions	2,402,821	-	2,402,821	2,402,821
Investment securities measured:				
- at amortised cost	12,119,171	-	12,119,171	10,799,004
- at fair value through profit or loss	-	4,764,226	4,764,226	4,764,226

'000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Loans to customers	43,066,563	-	43,066,563	38,562,914
Finance lease receivables	141,153,096	-	141,153,096	104,973,504
Other financial assets	484,713	-	484,713	484,713
	245,129,754	**4,764,226**	**249,893,980**	**207,890,572**
Debt securities issued	66,920,124	-	66,920,124	63,283,463
Other borrowed funds	31,320,645	-	31,320,645	30,594,086
Other financial liabilities	2,413,895	-	2,413,895	2,413,895
	100,654,664	**-**	**100,654,664**	**96,291,444**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

'000 KZT	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	21,800,196	-	-	21,800,196	21,794,974
Placements with banks and other financial institutions	6,109,035	-	-	6,109,035	6,109,035
Available-for-sale financial assets	-	9,234,246	-	9,234,246	9,234,246
Loans to customers	50,049,179	-	-	50,049,179	44,908,271
Finance lease receivables	117,838,422	-	-	117,838,422	80,753,525
Other financial assets	4,119,868	-	-	4,119,868	4,119,868
	199,916,700	**9,234,246**	**-**	**209,150,946**	**166,919,919**
Debt securities issued	-	-	43,177,214	43,177,214	41,130,180

'000 KZT	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Other borrowed funds	-	-	29,832,799	29,832,799	28,770,287
Other financial liabilities	-	-	8,953,388	8,953,388	8,953,388
	-	**-**	**81,963,401**	**81,963,401**	**78,853,855**

The estimates of fair value are intended to approximate 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. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

For more complex instruments, the Company uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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

- discount rates of 12.5% - 14.0% are used for discounting future cash flows from loans to customers (2017: 12.7% - 14.0%);
- discount rates of 6.9% - 7.1% are used for discounting future cash flows from finance lease receivables (2017: 8.0% - 8.1%).

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted

market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2018 and 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	2018 Level 2 '000 KZT	2017 Level 2 '000 KZT
Financial assets		
Investment securities at fair value through profit or loss	4,764,226	-
Available-for-sale financial assets	-	9,234,246
	4,764,226	**9,234,246**

As at 31 December 2018 and 2017 the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market inputs.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2018:

'000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	45,903,390	-	45,903,390	45,903,390
Placements with banks and other financial institutions	2,402,821	-	2,402,821	2,402,821
Loans to customers	37,436,104	1,126,810	38,562,914	43,066,563
Finance lease receivables	104,752,477	221,027	104,973,504	141,153,096
Liabilities				
Debt securities issued	63,283,463	-	63,283,463	66,920,124
Other borrowed funds	30,594,086	-	30,594,086	31,320,645

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2017:

‘000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	21,794,974	-	21,794,974	21,800,196
Placements with banks and other financial institutions	6,109,035	-	6,109,035	6,109,035
Loans to customers	44,568,877	339,394	44,908,271	50,049,179
Finance lease receivables	80,583,090	170,435	80,753,525	117,838,422
Liabilities				
Debt securities issued	41,130,180	-	41,130,180	43,177,214
Other borrowed funds	28,770,287	-	28,770,287	29,832,799

30 SEGMENT REPORTING

The Company’s operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Company’s assets are concentrated in the Republic of Kazakhstan, and the Company’s revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.

GLOSSARY

HCSBK JSC - Housing Construction Savings Bank of Kazakhstan JSC (Zhilstroysberbank JSC)
MO KMC JSC – Mortgage Company Kazakhstan Mortgage Company JSC
STB – second tier bank
GDP – gross domestic product
EKO – East Kazakhstan Oblast
TSF – temporarily surplus funds
USD – US dollar
pc. – pieces
f. – female
WKO – West Kazakhstan Oblast
MBS – mortgage-backed securities
sq.m – square meters
MEUKAM – long-term treasury bills of the Ministry of Finance of Kazakhstan with maturity of over 5 years
LEA – local executive authority
mln – million
bln – billion
MNE – Ministry of National Economy
IFRS – international financial reporting standards
m. – male
MF RK – Ministry of Finance of the Republic of Kazakhstan
NBRK – National Bank of the Republic of Kazakhstan
NIN – National Identification Number

Obl. – Oblast
UN – United Nations Organization
pp – percentage point
UNDP – United Nations Development Program
IDR – issuer default rating
RK – Republic of Kazakhstan
IAS – Internal Audit Service
ICS – Internal Control System
NKO – North Kazakhstan Oblast
RMS – Risk Management System
etc.– et cetera, and the rest
incl. – including
thd. – thousand
pers. – person
U – unit
SKO – South Kazakhstan Oblast
ASMMA - Asian Secondary Mortgage Market Association
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
ISMMA - International Secondary Mortgage Market Association
KASE - Kazakhstan Stock Exchange
NI margin - net profit margin
ROA - return on assets
ROE - return on equity

CONTACT INFORMATION

ALMATY
98 Karasay Batyr St.
TEL.: +7 (727) 344 12 22
FAX: +7 727 344-13-00
info@kmc.kz

NUR-SULTAN
55A Mangilik El Av., 2 floor, Block C, office 213
TEL.: +7 (7172) 79 75 75
astana@kmc.kz

AKTAU
28A Microregion, administrative building
Aksunkar, office 3
TEL.: +7 (7292) 40-21-28, extension 4113
aktau@kmc.kz

AKTOBE
80/2 Maresyev St., office 10
TEL.: +7 (7132) 54 33 13
aktobe@kmc.kz

ATYRAU
140 Pushkin St., office 18
TEL.: +7 (7122) 27 11 71
atyrau@kmc.kz

KARAGANDY
37 Alikhanov St., office107
TEL.: +7 (7212) 56 41 20
karaganda@kmc.kz

KOKSHETAU
70/2 Baitursynov St.
TEL.: +7 (7162) 50 09 02 extension 4103
kokshetau@kmc.kz

KOSTANAY
199 Baimagambetov St., office 19
TEL.: +7 (7142) 53 43 49
kostanay@kmc.kz

KYZYLORDA

39 Panfilov St.
TEL.: +7 (7242) 23 15 18
kyzylorda@kmc.kz

PAVLODAR

106 Dyusenov St.
TEL.: +7 (7182) 32 18 09
pavlodar@kmc.kz

PETROPAVLOVSK

23 Constitution of Kazakhstan St., office 7A
TEL.: + 7 (7152) 36-06-57, extension 4115
info@kmc.kz

SEMEY

19 Kozbagarov St.
TEL.: +7 (7222) 32 11 85, extension 4110
semey@kmc.kz

TARAZ

173 Koigeldy St., office 104
TEL.: +7 (7262) 54 17 72
taraz@kmc.kz

URALSK

67 Masina St, 2 floor, office №1
TEL.: +7 (7112) 24 02 94, extension 4114
oral@kmc.kz

UST-KAMENOGORSK

31 Kazakhstan St., office 42
TEL.: +7 (7232) 24 03 22
u-kamenogorsk@kmc.kz

SHYMKENT

60 Tolstoy St.
TEL.: +7 (7252) 43-30-25 extension 4109/4101
shymkent@kmc.kz

NOTES

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