



Mortgage Organisation
Kazakhstan Mortgage Company JSC
Unaudited Condensed Interim
Financial Statements
for the six months ended
30 June 2019

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Board of Directors and Management Board of Mortgage Organisation Kazakhstan Mortgage Company JSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mortgage Organisation Kazakhstan Mortgage Company JSC (the "Company") as at 30 June 2019, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2019 and for the six months then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Assel Urdabayeva
Authorised representative (Partner)

KPMG Audit LLC

Almaty, Republic of Kazakhstan

1 August 2019




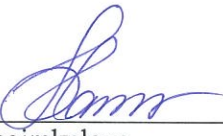
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Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Profit or Loss and other Comprehensive Income
for the six months ended 30 June 2019

		Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000 (restated)
Interest income calculated using the effective interest method		4,965,207	4,623,829
Other interest income		4,504,438	4,045,805
Interest expense		(3,846,633)	(3,767,695)
Net interest income	4	5,623,012	4,901,939
Fee and commission income		3,787	1,794
Fee and commission expense		(85,109)	(102,455)
Net fee and commission expense		(81,322)	(100,661)
Net gain on investment securities at fair value through profit or loss		142,460	413,526
Net foreign exchange loss		(9,204)	(18,645)
Other income		174,181	190,662
Operating income		5,849,127	5,386,821
Gain on reversal of impairment of debt financial assets	5	664,875	61,237
Personnel expenses		(875,686)	(747,812)
General administrative expenses		(715,595)	(590,055)
Loss from financial assets restructuring		(34,982)	-
Profit before income tax		4,887,739	4,110,191
Income tax expense		(597,677)	(739,056)
Profit and total comprehensive income for the year		4,290,062	3,371,135
Basic and diluted earnings per share, in KZT	16(b)	705	554

These condensed interim financial statements as set out on pages 4 to 36 were approved by Management on 1 August 2019 and were signed on its behalf by:

  A.B. Mukhamedzhanov <i>Chairman of the Management Board</i>	 B.D. Sagimkulova <i>Managing Director</i>	 A.T. Toktarkozha <i>Chief Accountant</i>
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The condensed interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Financial Position as at 30 June 2019

	Note	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
ASSETS			
Cash and cash equivalents	6	10,874,250	45,903,390
Placements with banks and other financial institutions	7	17,398,816	2,402,821
Investment securities:			
- at fair value through profit or loss	8	4,907,792	4,764,226
- at amortised cost	8	22,398,055	12,119,171
Loans to customers	9	50,997,514	43,066,563
Finance lease receivables	10	142,790,259	141,153,096
Current tax asset		1,590,040	2,045,362
Advances paid for acquisition and construction of real estate		-	972,687
Assets to be transferred under finance lease agreements	11	2,254,119	5,180,554
Construction in progress	12	3,856,669	5,643,479
Property, plant and equipment		2,009,602	2,129,083
Investment property		387,127	647,704
Other assets		745,427	1,297,734
Total assets		260,209,670	267,325,870
EQUITY AND LIABILITIES			
Debt securities issued	13	57,115,162	66,920,124
Other borrowed funds		32,324,400	31,320,645
Deferred income	14	100,122,867	102,126,287
Deferred tax liability		1,638,510	1,604,292
Other liabilities	15	4,217,899	3,467,988
Total liabilities		195,418,838	205,439,336
Equity	16		
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
Accumulated losses		(4,495,410)	(7,399,708)
Total equity		64,790,832	61,886,534
Total equity and liabilities		260,209,670	267,325,870

The condensed interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Cash Flows for the six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	7,052,833	6,002,503
Interest payments	(3,224,833)	(2,323,134)
Fee and commission receipts	3,787	1,794
Fee and commission payments	(102,864)	(56,384)
Other income receipts	148,418	143,764
Personnel expenses payments	(847,976)	(696,641)
Other general administrative expenses payments	(580,408)	(606,275)
	2,448,957	2,465,627
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	(14,921,588)	3,636,278
Financial instruments at fair value through profit or loss	1,273	764
Loans to customers	(6,752,101)	46,013
Advances paid for acquisition and construction of real estate	487,145	-
Assets to be transferred under finance lease agreements	(38,673)	(864,387)
Construction in progress	(74,268)	(5,169,457)
Finance lease receivables	3,107,031	2,517,447
Other assets	234,961	124,619
Increase/(decrease) in operating liabilities		
Subsidies	(165,536)	986,015
Other liabilities	38,623	(10,845)
(Decrease)/increase in cash from operating activities before interest and income tax paid	(15,634,176)	3,732,074
Income tax paid	(21,532)	(17,221)
Cash flows used in/from operating activities	(15,655,708)	3,714,853

The condensed interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Cash Flows for the six months ended 30 June 2019

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(10,221,961)	(10,157,463)
Purchase of property, plant and equipment	(47,024)	(39,024)
Proceeds from sale of investment property	184,272	7,000
Cash flows used in investing activities	(10,084,713)	(10,189,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	(10,000,000)	-
Proceeds from debt securities issue	593,861	5,999,789
Repayment of other borrowed funds	-	(1,621,372)
Cash flows used in financing activities	(9,406,139)	4,378,417
Net decrease in cash and cash equivalents	(35,146,560)	(2,096,217)
Effect of changes in ECL on cash and cash equivalents	124,638	73,220
Effect of changes in exchange rates on cash and cash equivalents	(7,218)	18,117
Cash and cash equivalents at beginning of the period	45,903,390	21,800,196
Cash and cash equivalents at end of the period (Note 6)	10,874,250	19,795,316

The condensed interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2019

	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Movement in fair value reserve of debt securities	Accumulated losses	Total
KZT'000								
Balance 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 at 1 January 2018	-	-	-	-	-	1,366,764	(1,800,294)	(433,530)
Restated balance 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 period, unaudited	-	-	-	-	-	-	3,371,135	3,371,135
Total comprehensive income for the period, unaudited	-	-	-	-	-	-	3,371,135	3,371,135
Dividends declared (Note 16 (a))	-	-	-	-	-	-	(1,108,575)	(1,108,575)
Balance at 30 June 2018, unaudited	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	-	(8,647,719)	60,638,523
Balance at 1 January 2019	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	-	(7,399,708)	61,886,534
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	4,290,062	4,290,062
Total comprehensive income for the period, unaudited	-	-	-	-	-	-	4,290,062	4,290,062
Dividends declared (Note 16 (a))	-	-	-	-	-	-	(1,385,764)	(1,385,764)
Balance at 30 June 2019, unaudited	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	-	(4,495,410)	64,790,832

The condensed interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

1 Background

(a) Principal activities

The Mortgage organisation Kazakhstan Mortgage Company JSC (the “Company”) was established on 29 December 2000 in accordance with the resolution #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 the rights of claim to mortgage loans, finance lease and mortgage loans in accordance with the license of the regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

On 12 April 2010 the Company obtained a banking license #5.1.69 on banking lending transactions.

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

The Company’s official address is 98, Karasay Batyr street, A05E3D4, Almaty, Kazakhstan.

(b) Shareholders

As at 30 June 2019 and 31 December 2018 the Company is wholly-owned by National Management Holding Baiterek JSC (“the Parent”). 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 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. The condensed interim financial statements reflect management’s assessment of the impact of the Republic of 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 accounting

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2018.

These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

This is the first set of the Company’s financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 2(e).

(b) Basis of measurement

The condensed interim financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

(c) Use of estimates and judgments

In preparing these condensed interim financial statements, management has made judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

2 Basis of accounting, continued

(c) Use of estimates and judgments, continued

The significant judgements made by management in applying the Company's accounting policies are the key sources of estimation uncertainty were the same as those described in the last annual financial statements except for the new significant judgements that applied to the lessee's accounting under IFRS 16 as disclosed in Note 2(e).

(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. The KZT is also the presentation currency for the purposes of these condensed interim financial statements.

Except as indicated, financial information presented in KZT is rounded to the nearest thousand.

(e) Changes in accounting policies and presentation

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

IFRS 16 Leases

The Company has initially adopted IFRS 16 *Leases* from 1 January 2019.

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*.

The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company leases many assets, including properties.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Transition

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17, i.e. applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

2 Basis of accounting, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16 Leases, continued

(iv) As a lessor

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

(v) Impacts on financial statements

Impacts on transition

On transition to IFRS 16, the Company has no items to recognise additional right-of-use assets.

New amendments and interpretations

A number of new amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Company's interim financial statements.

(f) Restatement of comparatives

The amount of opening accumulated losses balance (less taxes) was understated by KZT 632,105 thousand and the amount of loss on impairment of debt financial assets was overstated by KZT 790,132 thousand in the condensed interim financial statements for the six months ended 30 June 2018. The Company restated the effect of transition to IFRS 9 and adjusted the opening accumulated losses balance at 1 January 2018 by KZT 632,105 thousand, upward, when preparing the financial statements for the year ended 31 December 2018. As a result of this, the amount of restated accumulated losses balance is reported as KZT 1,800,294 thousand as at 1 January 2018, and the comparatives for the six months ended 30 June 2018 are adjusted as follows: the amount of loss on impairment of debt financial assets is decreased by KZT 790,132 thousand, the relevant income tax expense is increased by KZT 158,027 thousand in the condensed interim financial statements for the six months ended 30 June 2019.

3 Significant accounting policies

The accounting policies applied in these interim condensed financial statements are the same as those the Company applied for preparation of the financial statements for the year ended 31 December 2018, except for the accounting policies related to IFRS 16.

4 Net interest income

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	2,459,377	2,758,350
Cash and cash equivalents	279,489	566,069
Investment securities at amortised cost	681,706	670,727
Placements with banks and other financial institutions	800,606	204,828
Reverse REPO agreements	567,027	378,812
Other assets	177,002	45,043
	4,965,207	4,623,829
Other interest income		
Finance lease receivables	4,345,900	3,833,928
Investment securities measured at fair value through profit or loss	158,538	211,877
	4,504,438	4,045,805
Interest expense		
Debt securities issued	(2,730,421)	(2,525,904)
Other borrowed funds	(1,116,212)	(1,223,139)
Recognition of discount on long-term receivables	-	(18,652)
	(3,846,633)	(3,767,695)
Net interest income	5,623,012	4,901,939

Interest income on finance lease receivables for the six months ended 30 June 2019 includes amortisation of deferred income of KZT 2,003,420 thousand, unaudited (30 June 2018: KZT 1,811,861 thousand) (Note 14).

5 Gain on reversal of impairment of debt financial assets

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000 (restated)
Finance lease receivables (Note 10)	(179,698)	(126,518)
Loans to customers (Note 9)	245,298	201,528
Cash and cash equivalents (Note 6)	124,638	73,220
Placements with banks and other financial institutions (Note 7)	(10,195)	18,484
Investment securities measured at amortised cost (Note 8)	(24,784)	71,159
Other financial assets	509,616	(176,636)
	664,875	61,237

Gain on reversal of impairment of other financial assets of KZT 501,319 thousand for the six months ended 30 June 2019 relates to receivables from sale of assets held for sale not settled during the contract term. These receivables were repaid in full as at 30 June 2019 using the borrower's funds of KZT 275,000 thousand and loan of KZT 275,000 thousand provided by the Company.

6 Cash and cash equivalents

30 June 2019 (unaudited)				
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	Total
KZT'000				
National Bank of the Republic of Kazakhstan	154,106	-	-	154,106
rated BBB-	4,117,724	-	-	4,117,724
rated BB+	533	-	-	533
rated BB	200,613	-	-	200,613
rated BB-	68,483	-	-	68,483
rated B+	-	-	-	-
rated B	67,236	-	-	67,236
rated B-	1,813	-	-	1,813
not rated	-	-	2,068,539	2,068,539
	4,610,508	-	2,068,539	6,679,047
Loss allowance	(19,240)	-	(2,068,339)	(2,087,579)
Reverse REPO agreements				
Rated from BBB- to BBB+	6,282,782	-	-	6,282,782
Total cash and cash equivalents	10,874,050	-	200	10,874,250
31 December 2018				
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	Total
KZT'000				
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	(101,458)	-	(2,110,826)	(2,212,284)
Reverse REPO agreements				
Rated from BBB- to BBB+	21,698,963	-	-	21,698,963
Total cash and cash equivalents	45,874,683	-	28,707	45,903,390

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 process payment. As at 30 June 2019 the Company considers the nostro account held with KIB for the total amount of KZT 2,066,082 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 2018: KZT 2,106,153 thousand).

As at 30 June 2019 the Company has no banks (31 December 2018: two banks) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2018 was KZT 19,442,212 thousand.

During the six months ended 30 June 2019, 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 30 June 2019 the fair value of financial assets collateralising reverse repurchase agreements is KZT 6,631,694 thousand, unaudited (31 December 2018: KZT 22,655,276 thousand).

6 Cash and cash equivalents, continued

Movements in the cash and cash equivalents impairment allowance by three ECL stages for the six months ended 30 June 2019 are as follows:

Six months ended 30 June 2019, unaudited				
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit-impaired assets	KZT'000
Balance at the beginning of the period	101,458	-	2,110,826	2,212,284
Net recovery	(82,151)	-	(42,487)	(124,638)
Foreign exchange and other movements	(67)	-	-	(67)
Balance at the end of the period	19,240	-	2,068,339	2,087,579

Movements in the cash and cash equivalents impairment allowance by three ECL stages for the six months ended 30 June 2018 are as follows:

Six months ended 30 June 2018, unaudited				
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit-impaired assets	KZT'000
Balance at the beginning of the period	-	-	2,141,045	2,141,045
Effect of initial application of IFRS 9	140,770	-	-	140,770
Net recovery	(73,220)	-	-	(73,220)
Foreign exchange difference	618	-	-	618
Balance at the end of the period	68,168	-	2,141,045	2,209,213

7 Placements with banks and other financial institutions

30 June 2019 (unaudited)				
KZT'000	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	Total
rated BBB-	13,052,277	-	-	13,052,277
rated BB-	4,399,336	-	29,297	4,428,633
	17,451,613	-	29,297	17,480,910
Loss allowance	(52,797)	-	(29,297)	(82,094)
Total placements with banks and other financial institutions	17,398,816	-	-	17,398,816

31 December 2018				
KZT'000	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit- impaired assets	Total
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)
Total placements with banks and other financial institutions	2,402,821	-	-	2,402,821

7 Placements with banks and other financial institutions, continued

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 credit-impaired or past due.

As at 30 June 2019 the Company placed a term deposits with interest rates 8.50%, 8.60% per annum and which have maturity in January, February 2020.

As at 30 June 2019 the Company has one bank (2018: no banks) whose balances exceed 10% of equity. The gross value of the balance as at 30 June 2019 was KZT 13,052,277 thousand.

Movements in the placements with banks and other financial institutions impairment allowance by three ECL stages for the six months ended 30 June 2019 and 30 June 2018 are as follows:

Six months ended 30 June 2019, unaudited				
	12-month expected credit losses (ECL)	Lifetime ECL not credit- impaired	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	71,899	-	-	71,899
Net recovery	(42,602)	-	-	(42,602)
New financial assets originated or purchased	52,797	-	-	52,797
Balance at the end of the period	82,094	-	-	82,094

Six months ended 30 June 2018, unaudited				
	12-month expected credit losses (ECL)	Lifetime ECL not credit- impaired	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	-	-	-	-
Effect of initial application of IFRS 9	42,129	-	-	42,129
Net recovery	(18,484)	-	-	(18,484)
Balance at the end of the period	23,645	-	-	23,645

8 Investment securities

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Investment securities measured at fair value through profit or loss		
Corporate bonds rated from BB- to BB+	2,069,346	2,052,732
Corporate bonds rated from B- to B+	1,781,093	1,745,312
Not rated corporate bonds	1,057,353	966,182
	4,907,792	4,764,226

30 June 2019 (unaudited)				
		Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	
KZT'000	12-month ECL			Total
Investment securities at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,538,070	-	-	1,538,070
Notes of the National Bank of the RK	9,896,089	-	-	9,896,089
- rated from B- to B+	10,991,529	-	-	10,991,529
not rated	-	-	2,102,726	2,102,726
	22,425,688	-	2,102,726	24,528,414
Loss allowance	(27,633)	-	(2,102,726)	(2,130,359)
Carrying amount	22,398,055	-	-	22,398,055

31 December 2018				
		Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	
KZT'000	12-month ECL			Total
Investment securities at amortised cost				
Treasury bills of the 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

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 April 2019 the Company purchased the coupon bonds issued by Bank CenterCredit JSC for KZT 368,266 thousand.

In June 2019 the Company purchased the notes of the National Bank of the RK for KZT 9,853,695 thousand.

8 Investment securities, continued

Corporate bonds are 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"), "Corporation "APK Invest" LLC ("APK") with the gross carrying amounts of KZT 1,117,796 thousand, KZT 984,930 thousand, respectively (31 December 2018: Kazakhstan Kagazy JSC ("KK"), "Corporation "APK Invest" LLC ("APK") with gross amounts of KZT 1,117,796 thousand, KZT 984,930 thousand, respectively). KK, APK bonds were excluded from trading on KASE on 13 November 2015 and 4 July 2017, respectively. As at 30 June 2019 and 31 December 2018 the Company considers these bonds fully credit-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 the impairment allowance of investment securities measured at amortised cost by three ECL stages for the six months ended 30 June 2019 and 30 June 2018 are as follows:

Six months ended 30 June 2019, unaudited			
	12-month expected credit losses (ECL)	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	2,849	2,102,726	2,105,575
Net remeasurement of loss allowance, unaudited	(50)	-	(50)
New financial assets originated or purchased	24,834	-	24,834
Balance at the end of the period, unaudited	27,633	2,102,726	2,130,359

Six months ended 30 June 2018, unaudited			
	12-month expected credit losses (ECL)	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	-	2,592,245	2,592,245
Effect of initial application of IFRS 9, unaudited	19,843	76,364	96,207
Net charge/(recovery), unaudited	324	(71,483)	(71,159)
Balance at the end of the period, unaudited	20,167	2,597,126	2,617,293

9 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 within the Republic of Kazakhstan.

All loans are secured by the underlying housing real estate.

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Gross mortgage loans	55,296,500	47,753,274
Loss allowance	(4,298,986)	(4,686,711)
Net loans to customers	50,997,514	43,066,563

During the reporting period ended 30 June 2019, the Company purchased mortgage loans portfolios from one commercial bank (2018: purchased mortgage loans portfolios from one commercial bank). The loans purchased in 2019 were recognised at fair value for the total amount of KZT 9,997,366 thousand (2018: KZT 4,940,099 thousand).

9 Loans to customers, continued

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 30 June 2019 and 31 December 2018:

30 June 2019 (unaudited)					
	12-month ECL	Lifetime ECL of assets not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired at initial recognition	Total
KZT'000					
not overdue	44,217,827	1,160,784	492,632	90,254	45,961,497
overdue less than 30 days	4,004,147	-	265,933	-	4,270,080
overdue 31-60 days	-	540,861	35,006	-	575,867
overdue 61-89 days	-	117,310	37,962	-	155,272
overdue more than 90 days	-	70,519	4,263,265	-	4,333,784
	48,221,974	1,889,474	5,094,798	90,254	55,296,500
Loss allowance	(473,849)	(417,997)	(3,407,140)	-	(4,298,986)
Carrying amount	47,748,125	1,471,477	1,687,658	90,254	50,997,514
31 December 2018					
	12-month ECL	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets		Total
KZT'000					
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 31-60 days	-	389,249	92,660		481,909
overdue 61-89 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

As at 30 June 2019 the carrying amounts of loans with full recourse and partial recourse to the seller were KZT 16,730,044 thousand and KZT 11,974,218 thousand, respectively, unaudited (31 December 2018: KZT 8,338,280 thousand and KZT 14,047,193 thousand, respectively).

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

(b) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals and by three ECL stages for the six months ended 30 June 2019 and 30 June 2018 are as follows:

Six months ended 30 June 2019, unaudited				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	KZT'000
Balance at the beginning of the period	651,134	59,750	3,975,827	4,686,711
Transfer to Stage 1	5,438	(4,548)	(890)	-
Transfer to Stage 2	(21,018)	285,153	(264,135)	-
Transfer to Stage 3	(3,090)	(3,405)	6,495	-
Net charge	(335,496)	71,069	(176,284)	(440,711)
New financial assets originated or purchased	177,005	9,978	8,430	195,413
Write-offs	-	-	(142,303)	(142,303)
Foreign exchange translation differences	(124)	-	-	(124)
Balance at the end of the period	473,849	417,997	3,407,140	4,298,986

9 Loans to customers, continued

(b) Analysis of movements in the impairment allowance, continued

Six months ended 30 June 2018, unaudited				
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	KZT'000
Balance at the beginning of the period	635,112	-	3,955,211	4,590,323
Transfer to Stage 1	4,625	(3,230)	(1,395)	-
Transfer to Stage 2	(84,602)	85,200	(598)	-
Transfer to Stage 3	(12,716)	-	12,716	-
Net charge	(173,860)	157,373	(207,939)	(224,426)
New financial assets originated or purchased	22,898	-	-	22,898
Write-offs	-	-	-	-
Foreign exchange translation differences	345	3,456	408	4,209
Balance at the end of the period	391,802	242,799	3,758,403	4,393,004

10 Finance lease receivables

The components of net investments in finance lease as at 30 June 2019 and 31 December 2018 are as follows:

	Unaudited 30 June 2019 KZT'000	31 December 2018 KZT'000
Within one year	10,571,815	10,298,630
More than one year, but less than five years	42,767,758	41,555,484
More than five years	134,341,282	134,837,019
Minimum lease payments	187,680,855	186,691,133
Less unearned finance income:		
Less than one year	(4,227,015)	(4,218,732)
From one to five years	(15,919,361)	(15,860,417)
More than five years	(23,839,285)	(24,733,651)
Less unearned finance income, total	(43,985,661)	(44,812,800)
Less: loss allowance	(904,935)	(725,237)
Net investments in finance lease	142,790,259	141,153,096

10 Finance lease receivables, continued

Credit quality of finance lease receivables

The following table provides information on credit quality of finance lease receivables as at 30 June 2019 and 31 December 2018:

30 June 2019 (unaudited)				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Not overdue	125,292,434	485,507	45,154	125,823,095
Overdue less than 30 days	11,883,780	110,554	5,952	12,000,286
Overdue 31-60 days	286,925	2,491,707	14,547	2,793,179
Overdue 61-89 days	-	1,249,598	17,309	1,266,907
Overdue more than 90 days	-	74,895	1,736,832	1,811,727
	137,463,139	4,412,261	1,819,794	143,695,194
Loss allowance	(263,516)	(478,561)	(162,858)	(904,935)
Carrying amount	137,199,623	3,933,700	1,656,936	142,790,259

31 December 2018				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
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 31-60 days	-	2,808,270	-	2,808,270
Overdue 61-89 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

Movements in the loan impairment allowance by classes of finance lease receivables and by three ECL stages for the six months ended 30 June 2019 and 30 June 2018 are as follows:

Six months ended 30 June 2019, unaudited				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	KZT'000
Balance at the beginning of the period	226,125	393,335	105,777	725,237
Transfer to Stage 1	5,492	(5,034)	(458)	-
Transfer to Stage 2	(7,391)	28,282	(20,891)	-
Transfer to Stage 3	(951)	(60,116)	61,067	-
Net charge, unaudited	31,182	122,094	17,363	170,639
New financial assets originated or purchased	9,059	-	-	9,059
Balance at the end of the period, unaudited	263,516	478,561	162,858	904,935

Six months ended 30 June 2018, unaudited				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	KZT'000
Balance at the beginning of the period	136,902	140,785	93,349	371,036
Transfer to Stage 1	1,412	(1,246)	(166)	-
Transfer to Stage 2	3,052	(118)	(2,934)	-
Transfer to Stage 3	318	13,023	(13,341)	-
Net charge, unaudited	2,894	106,229	(2,066)	107,057
New financial assets originated or purchased	17,195	2,266	-	19,461
Balance at the end of the period, unaudited	161,773	260,939	74,842	497,554

10 Finance lease receivables, continued

Credit quality of finance lease receivables, continued

The Company leases out housing real estate under Nurly Zher and Own programme. These lease agreements are classified as finance lease under IFRS 16 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 under the Own programme have a maturity term ranging from 15 to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements under Nurly Zher programme have a maturity term of 20 years and provide for the 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.

11 Assets to be transferred under finance lease agreements

Assets to be transferred under finance lease agreements include housing real estate acquired and constructed by the Company during the reporting period, which the Company intends to transfer to lessees in 2019.

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

As at 30 June 2019 the largest micro-districts acquired and constructed by the Company are located in cities of Aktobe, Karaganda and Uralsk in the total amount of KZT 1,941,869 thousand, unaudited (31 December 2018: the largest micro districts in the city of Aktobe in the total amount of KZT 2,173,940 thousand).

12 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 Programme of Housing Construction “Nurly zher” adopted in accordance with the Decree of the Government of the Republic of Kazakhstan No.372 dated 22 June 2018; 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 Government Housing Construction Program Nurly Zher (hereinafter, the “Programme”). The Company will lease out the constructed housing estate in accordance with the terms established by the Programme through signing the finance lease contracts.

As at 30 June 2019 the largest construction projects relate to construction of positions 63 and 19 in the residential district located in Ust-Kamenogorsk worth of KZT 1,857,235 thousand; micro-district 14 located in Karaganda in the amount of KZT 1,010,040 thousand and in the city of Kostanai (along Gertsen street – Kiyevskaya Street) in the amount of KZT 736,103 thousand, unaudited (31 December 2018: constructions projects related to construction of positions 63 and 19 in the residential district located in Ust-Kamenogorsk, the micro-district between Uralsk – Atyrau and Uralsk - Saratov highways, and micro-district #14 located in Karaganda in the total amounts of KZT 1,742,080 thousand, KZT 1,264,415 thousand and KZT 1,043,426 thousand, respectively).

13 Debt securities issued

During six months ended 30 June 2019 the Company issued unsecured coupon bonds in the amount of KZT 593,861 thousand with fixed coupon rate of 2.99%.

In accordance with the prospectuses for bond issues the Company repaid the issued securities in the total amount of KZT 10,000,000 thousand.

14 Deferred income

	Unaudited 30 June 2019 KZT'000	Unaudited 30 June 2018 KZT'000
Balance at the beginning of the period	102,126,287	106,893,420
Recalculation of deferred income due to partial repayment of principal, unaudited	-	(1,008,353)
Amortisation for the period, unaudited	(2,003,420)	(1,811,861)
Balance at the end of the period, unaudited	100,122,867	104,073,206

15 Other liabilities

	Unaudited 30 June 2019	31 December 2018
Dividends payable	1,385,764	-
Advances received from borrowers	1,243,140	1,255,499
Interest strip payable	515,364	682,204
Liabilities under the subsidy programs	253,391	418,927
Loan portfolios servicing fee payable	19,440	44,226
Professional services	14,784	13,039
Total other financial liabilities	3,431,883	2,413,895
Contract enforcement fees payable	331,968	422,057
Payables to employees	181,403	186,869
Guarantee fees payable	75,980	48,907
Other taxes payable	8,253	9,557
Other non-financial liabilities	188,412	386,703
Total other non-financial liabilities	786,016	1,054,093
Total other liabilities	4,217,899	3,467,988

16 Equity

(a) 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 IFRSs or profit for the 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 six months ended 30 June 2019, the Company declared dividends in the amount of KZT 1,385,764 thousand (KZT 227.87 per share), unaudited (during the six months ended 30 June 2018: the Company declared dividends in the amount of KZT 1,108,575 thousand (KZT 182.29) per share).

(b) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit or loss for the period attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period.

16 Equity, continued

(b) Basic and diluted earnings per share, continued

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018
Profit for the period, in thousands of KZT	4,290,062	3,371,135
Weighted average number of ordinary shares	6,081,380	6,081,380
Basic and diluted earnings per share, in KZT	705	554

17 Risk management

Management of risk is fundamental to the mortgage business and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

As at 30 June 2019 there were no significant changes in relation to market and liquidity risks since 31 December 2018, except as disclosed in this Note. Changes in credit risks are disclosed in respective notes.

(a) Market risk

(i) *Interest rate risk*

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

17 Risk management, continued

(a) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

Unaudited KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
30 June 2019							
ASSETS							
Cash and cash equivalents	10,499,922	-	-	-	-	374,328	10,874,250
Placements with banks and other financial institutions	19,444	-	17,379,372	-	-	-	17,398,816
Investment securities:							
- measured at fair value through profit or loss	4,276,691	631,101	-	-	-	-	4,907,792
- measured at amortised cost	10,385,657	41,359	-	-	11,971,039	-	22,398,055
Loans to customers	1,558,244	1,851,453	2,368,264	19,690,249	25,529,304	-	50,997,514
Finance lease receivables	1,704,130	1,556,774	3,110,613	26,848,026	109,570,716	-	142,790,259
Other financial assets	-	-	-	-	-	138,851	138,851
Total assets	28,444,088	4,080,687	22,858,249	46,538,275	147,071,059	513,179	249,505,537
LIABILITIES							
Debt securities issued	366,465	219,107	6,334,275	9,995,458	40,199,857	-	57,115,162
Other borrowed funds	76,291	4,635	1,529	-	32,241,945	-	32,324,400
Other financial liabilities	-	-	-	-	-	3,431,883	3,431,883
Total liabilities	442,756	223,742	6,335,804	9,995,458	72,441,802	3,431,883	92,871,445
Net position	28,001,332	3,856,945	16,522,445	36,542,817	74,629,257	(2,918,704)	156,634,092

17 Risk management, continued

(a) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	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:							
- measured at fair value through profit or loss							
- measured at amortised cost	113,098	11,300	2,080,815	2,559,013	-	-	4,764,226
Loans to customers	483,334	-	15,279	-	11,620,558	-	12,119,171
Finance lease receivables	1,482,281	1,089,280	2,196,753	18,115,330	20,182,919	-	43,066,563
Other financial assets	1,637,118	1,477,056	2,989,450	25,691,013	109,358,459	-	141,153,096
Total assets	48,522,540	4,953,958	7,282,297	46,365,356	141,161,936	484,713	249,893,980
LIABILITIES							
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
ASSETS							

Interest rates 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 30 June 2019 and 31 December 2018 is as follows:

	Unaudited 30 June 2019 KZT'000		31 December 2018 KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	323,202	323,202	365,645	365,645
100 bp parallel fall	(357,314)	(357,314)	(365,645)	(365,645)

17 Risk management, continued

(b) Liquidity risk

The table below shows an analysis, by contractual maturities, of the amounts recognised in the condensed interim statement of financial position as at 30 June 2019:

Unaudited Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	10,874,250	-	-	-	-	-	10,874,250
Placements with banks and other financial institutions	19,444	-	17,379,372	-	-	-	17,398,816
Investment securities:							
- measured at fair value through profit or loss	2,223,195	31,097	11,300	2,642,200	-	-	4,907,792
- measured at amortised cost	4,987,658	5,397,999	41,359	-	11,971,039	-	22,398,055
Loans to customers	828,758	769,135	3,611,850	20,144,267	25,643,504	-	50,997,514
Finance lease receivables	694,940	1,009,190	4,667,387	26,848,026	109,570,716	-	142,790,259
Current tax asset	-	-	-	-	-	1,590,040	1,590,040
Assets to be transferred under finance lease agreements	-	-	-	-	-	2,254,119	2,254,119
Construction in progress	-	3,856,669	-	-	-	-	3,856,669
Property, plant and equipment	-	-	-	-	-	2,009,602	2,009,602
Investment property	-	-	-	-	-	387,127	387,127
Other assets	62,419	76,357	194,124	4,765	2,131	405,631	745,427
Total assets	19,690,664	11,140,447	25,905,392	49,639,258	147,187,390	6,646,519	260,209,670
Liabilities							
Debt securities issued	-	366,465	6,553,382	9,995,458	40,199,857	-	57,115,162
Other borrowed funds	76,291	-	6,164	-	32,241,945	-	32,324,400
Deferred income	-	-	-	-	100,122,867	-	100,122,867
Deferred tax liability	-	-	-	-	1,638,510	-	1,638,510
Other liabilities	1,668,433	1,778,587	345,623	288,616	136,640	-	4,217,899
Total liabilities	1,744,724	2,145,052	6,905,169	10,284,074	174,339,819	-	195,418,838
Net position as at 30 June 2019	17,945,940	8,995,395	19,000,223	39,355,184	(27,152,429)	6,646,519	64,790,832

17 Risk management, continued

(b) Liquidity risk, continued

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2018:

Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
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:							
- measured at fair value through profit or loss	82,000	31,098	2,092,115	2,559,013	-	-	4,764,226
- measured 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
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
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

17 Risk management, continued

(b) Liquidity risk, continued

As at 30 June 2019 included in the category “More than 5 years” are overdue loans to customers and finance lease receivables with net book values of KZT 1,710,299 thousand and KZT 1,631,453 thousand, respectively, unaudited (31 December 2018: KZT 2,445,261 thousand and KZT 1,148,020 thousand, respectively)

18 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:

	Unaudited Six months ended 30 June 2019 KZT'000	Unaudited Six months ended 30 June 2018 KZT'000
Members of the Board of Directors	7,943	12,070
Members of the Management Board	64,243	51,704
	72,186	63,774

The above amounts include non-cash benefits in respect of the members of the Management Board. The outstanding balances and average interest rates as of 30 June 2019 and 31 December 2018 with the members of the Management Board are as follows:

	Unaudited 30 June 2019 KZT'000	Unaudited Average interest rate	31 December 2018 KZT'000	Average interest rate
Condensed Interim Statement of Financial Position				
Other liabilities	20,692	-	35,861	-

18 Related party transactions, continued

(b) Transactions with other related parties

Other related parties include Baiterek Group and other state organisations.

The amounts below are included in the condensed interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 and 30 June 2018:

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2018
	Baiterek Group KZT'000	Other state organisations KZT'000	Baiterek Group KZT'000	Other state organisations KZT'000
Condensed Interim Statement of Profit or Loss				
Interest income	260,018	2,648,911	33,685	2,275,869
Interest expense	(2,005,512)	(449,846)	(1,574,580)	(1,042,982)
Commission expense	-	(407)	-	(490)
Other income	-	31,134	-	34,018
General administrative expenses	(4,614)	(208,361)	(28,873)	(215,860)
Impairment allowance	16,660	-	-	-
Income tax expense	-	(597,677)	-	(581,029)

18 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2019 include:

	Unaudited Baiterek Group		Unaudited Other state organisations	
	Average interest rate,		Average interest rate,	
	KZT'000	%	KZT'000	%
Cash and cash equivalents	3,359,681	7.50	6,436,888	8.57
Investment securities measured at amortised cost	-	-	11,413,855	8.04
Current tax asset	-	-	1,590,040	-
Other assets	-	-	60,383	-
Debt securities issued	22,792,830	9.45	6,803,824	8.28
Other borrowed funds	27,574,531	0.15	4,749,870	0.10
Deferred income	-	-	100,122,867	-
Dividends payable	1,385,764	-	-	-
Deferred tax liability	-	-	1,638,510	-
Other liabilities	93,178	-	263,279	-

The balances with related parties as at 31 December 2018 include:

	Baiterek Group		Other state organisations	
	Average interest rate,		Average interest rate,	
	KZT'000	%	KZT'000	%
Cash and cash equivalents	11,915,286	7.75	21,878,794	8.23
Investment securities measured at amortised cost	-	-	1,498,928	5.57
Current tax asset	-	-	2,045,362	-
Advances paid under finance lease agreement	914,931	-	-	-
Other assets	-	-	25,397	-
Debt securities issued	28,320,637	10.90	10,412,650	12.15
Other borrowed funds	26,753,934	0.15	4,566,711	0.10
Deferred income	-	-	102,126,287	-
Deferred tax liability	-	-	1,604,292	-
Other liabilities	93,701	-	432,507	-

19 Financial assets and liabilities: fair values and accounting classifications

(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 30 June 2019:

Unaudited KZT'000	Amortised cost	Fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	10,874,250	-	10,874,250	10,874,250
Placements with banks and other financial institutions	17,398,816	-	17,398,816	17,398,816
Investment securities measured:				
- at amortised cost	22,398,055	-	22,398,055	20,973,613
- at fair value through profit or loss	-	4,907,792	4,907,792	4,907,792
Loans to customers	50,997,514	-	50,997,514	47,456,949
Finance lease receivables	142,790,259	-	142,790,259	100,785,096
Other financial assets	138,851	-	138,851	138,851
	244,597,745	4,907,792	249,505,537	202,535,367
Debt securities issued	57,115,162	-	57,115,162	53,478,501
Other borrowed funds	32,324,400	-	32,324,400	31,652,904
Other financial liabilities	3,431,883	-	3,431,883	3,431,883
	92,871,445	-	92,871,445	88,563,288

19 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

KZT'000	Amortised cost	Fair value through profit or loss	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
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

19 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

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, 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 to determine the fair value of common and more simple financial instruments, such as 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 include certain loans and securities for which there is no active market.

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

- discount rates of 13.0% - 4.8% are used for discounting future cash flows from loans to customers (2018: 12.5% - 6.7%);
- discount rate of 7.05% is used for discounting future cash flows from finance lease receivables (2018: 6.9% - 7.1%).

19 Financial assets and liabilities: fair values and accounting classifications, continued

(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 differences between the instruments.

The table below analyses financial instruments measured at fair value in the condensed interim statement of financial position as at 30 June 2019 and statement of financial position as at 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Unaudited 30 June 2019 Level 2 KZT'000	31 December 2018 Level 2 KZT'000
Financial assets		
Investment securities measured at fair value through profit or loss	4,907,792	4,764,226
	<u>4,907,792</u>	<u>4,764,226</u>

As at 30 June 2019 and 31 December 2018 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 30 June 2019:

Unaudited KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	10,874,250	-	10,874,250	10,874,250
Placements with banks and other financial institutions	17,398,816	-	17,398,816	17,398,816
Loans to customers	46,516,368	940,581	47,456,949	50,997,514
Finance lease receivables	100,364,138	420,958	100,785,096	142,790,259
Liabilities				
Debt securities issued	53,478,501	-	53,478,501	57,115,162
Other borrowed funds	31,652,904	-	31,652,904	32,324,400

19 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

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:

KZT'000	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

20 Capital management

	Unaudited 30 June 2019	2018 KZT'000
Tier 1 capital		
Share capital	60,728,939	60,728,939
General reserve	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Intangible assets	(59,856)	(58,912)
Statutory accumulated losses for prior periods	(8,785,472)	(12,018,854)
Total tier 1 capital	60,440,914	57,208,476
Tier 2 capital		
Net profit for the current year in accordance with NBRK	4,290,062	4,619,146
Total tier 2 capital	4,290,062	4,619,146
Total capital	64,730,976	61,827,622
 Total statutory assets	 260,209,670	 267,309,374
Credit risk weighted assets and contingent liabilities	225,151,138	236,295,782
Operational risk	6,843,314	6,772,035
Total credit risk weighted assets and contingent liabilities plus operational risk	231,994,452	243,067,817
 K1 ratio	 23%	 21%
K1-2 ratio	27%	24%
K1-3 ratio	28%	25%

The table above shows the composition of the capital position calculated in accordance with the NBRK statutory rules.

20 Capital management, continued

As at 30 June 2019 and 31 December 2018 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%;
- k1-2 – 6%;
- k1-3 – 12%.

21 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.

22 Subsequent events

In July 2019, the Company placed debt securities in the total amount of KZT 10,600,000 thousand with a nominal coupon rate of 10.5% and maturity in 10 years.