



Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Interim
Condensed Financial Statements
for the Six-Month Period ended
30 June 2017

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Independent Auditors' Report on Review of Interim Condensed Financial Information

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Mortgage organisation Kazakhstan Mortgage Company JSC (the "Company") as at 30 June 2017, and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed 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 interim condensed financial information as at 30 June 2017 and for the six- month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Assel Urabayeva
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MΦ-0000096 of 27 August 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan



Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

1 August 2017

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Profit or Loss for the six-month period ended 30 June 2017

		Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Interest income	4	8,067,673	9,398,913
Interest expense	4	(3,165,154)	(4,919,004)
Net interest income		4,902,519	4,479,909
Fee and commission income		491	572
Fee and commission expense		(109,730)	(150,322)
Net fee and commission expense		(109,239)	(149,750)
Net foreign exchange loss		(1,323)	(64,243)
Other income		416,613	419,255
Operating income		5,208,570	4,685,171
Impairment losses	5	(930,741)	(393,778)
Personnel expenses		(816,136)	(665,832)
General administrative expenses		(791,842)	(653,764)
Profit before income tax		2,669,851	2,971,797
Income tax expense		(597,921)	(625,467)
Profit for the period		2,071,930	2,346,330
Basic and diluted earnings per share, in KZT	16(c)	356	422

These interim condensed financial statements as set out on pages 4 to 31 were approved by Management on 1 August 2017 and were signed on its behalf by:


 Mukhamejanov A.B.
 Chairman of the Management Board


 Toktarkozha A. T.
 Chief Accountant

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Comprehensive Income for the six-month period ended 30 June 2017

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Profit for the period	2,071,930	2,346,330
Other comprehensive loss, net of income tax		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Revaluation reserve for available-for-sale financial assets:		
Net change in fair value	(115,556)	(128,322)
Other comprehensive loss for the period, net of income tax	(115,556)	(128,322)
Total comprehensive income for the period	1,956,374	2,218,008

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Financial Position as at 30 June 2017

	Note	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
ASSETS			
Cash and cash equivalents	6	31,030,268	38,665,521
Placements with banks and other financial institutions		-	167,534
Available-for-sale financial assets		10,986,874	11,089,637
Loans to customers	7	50,737,679	56,535,641
Finance lease receivables	8	102,441,951	74,921,988
Current tax asset		2,937,498	3,201,687
Advances paid for acquisition and construction of real estate	9	10,766,106	28,212,420
Assets to be transferred under finance lease agreements	10	20,839,983	24,221,971
Construction in progress	11	10,968,980	9,229,741
Property and equipment		2,147,177	2,186,810
Investment property		1,358,966	1,315,991
Other assets		4,770,524	4,783,924
Total assets		248,986,006	254,532,865
EQUITY AND LIABILITIES			
Debt securities issued	12	34,116,171	37,334,185
Subordinated debt securities issued		-	10,152,242
Other borrowed funds	13	32,467,764	35,159,984
Deferred income	14	108,559,216	109,964,767
Deferred tax liability		1,149,157	1,106,223
Other liabilities	15	15,462,368	9,813,706
Total liabilities		191,754,676	203,531,107
Equity	16		
Share capital		63,313,800	58,113,800
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		(1,321,734)	(1,206,178)
Accumulated losses		(10,733,178)	(11,878,306)
Total equity		57,231,330	51,001,758
Total equity and liabilities		248,986,006	254,532,865

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2017

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	6,413,878	8,242,561
Interest payments	(1,909,615)	(3,566,460)
Fee and commission receipts	364	511
Fee and commission payments	(59,466)	(141,511)
Other income receipts	395,823	399,522
Personnel expenses payments	(684,884)	(675,332)
General administrative expenses payments	(459,266)	(364,737)
	3,696,834	3,894,554
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	158,405	(9,280,175)
Loans to customers	5,184,101	18,977,847
Advances paid for acquisition and construction of real estate	(327,000)	(6,553,813)
Assets to be transferred under finance lease agreements	(6,321,606)	(8,793,139)
Construction in progress	(3,651,770)	(8,089,395)
Other assets	1,496,152	(504,182)
Increase in operating liabilities		
Other liabilities	4,499,935	19,651
Net cash from (used in) operating activities before income tax paid	4,735,051	(10,328,652)
Income tax paid	(290,798)	(523,220)
Cash flows from (used in) operating activities	4,444,253	(10,851,872)

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2017

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and sale of available-for-sale financial assets	-	2,491,130
Purchase of property plant and equipment	(873)	(184,299)
Purchase of intangible assets	-	(796)
Proceeds from sale of investment property	-	14,600
Cash flows (used in) from investing activities	(873)	2,320,635
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	(9,599,700)	(10,000,000)
Proceeds from debt securities issue	5,887,655	-
Redemption of subordinated debt securities issued	(10,000,000)	-
Receipts of other borrowed funds	-	41,592,292
Repayment of other borrowed funds	(3,575,000)	(7,208,333)
Proceeds from issuance of share capital	5,200,000	-
Cash flows (used in) from financing activities	(12,087,045)	24,383,959
Net (decrease) increase in cash and cash equivalents	(7,643,665)	15,852,722
Effect of changes in exchange rates on cash and cash equivalents	8,412	65,659
Cash and cash equivalents at beginning of the period	38,665,521	26,811,589
Cash and cash equivalents at end of the period (Note 6)	31,030,268	42,729,970

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

Mortgage organisation Kazakhstan Mortgage Company JSC
Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2017

	Share capital	Share premium	Treasury shares	Additional paid in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
KZT'000								
Balance as at 1 January 2016	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,718,884)	(14,967,570)	47,399,788
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	2,346,330	2,346,330
Other comprehensive loss								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Net change in fair value of available-for sale financial assets, unaudited	-	-	-	-	-	(128,322)	-	(128,322)
Total other comprehensive loss for the period, unaudited								
Total comprehensive income for the period, unaudited								
Balance as at 30 June 2016, unaudited	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,847,206)	(12,621,240)	49,617,796
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 period, unaudited	-	-	-	-	-	-	2,071,930	2,071,930
Other comprehensive loss								
<i>Items that are or may be reclassified subsequently to profit or loss:</i>								
Net change in fair value of available-for sale financial assets, unaudited	-	-	-	-	-	(115,556)	-	(115,556)
Total other comprehensive loss for the period, unaudited								
Total comprehensive income for the period, unaudited								
Share issued	5,200,000	-	-	-	-	-	2,071,930	1,956,374
Dividends declared	-	-	-	-	-	-	(926,802)	(926,802)
Balance as at 30 June 2017, unaudited	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,321,734)	(10,733,178)	57,231,330

1 Background

(a) Principal activities

The Mortgage organisation Kazakhstan Mortgage Company JSC (the “Company”) was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan (the “NBRK”) dated 20 December 2000. The principal activity of the Company is the 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 #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 st., 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

(b) Shareholders

As at 30 June 2017 and 31 December 2016 the Company is wholly-owned by National Management Holding Baiterek JSC (“the Parent”).

(c) Kazakhstan business environment

The Company’s operations are primarily located in the Republic of Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of the Republic of Kazakhstan, which display emerging-market characteristics. 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 the Republic of Kazakhstan. The interim condensed financial statements reflect the 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 the management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016, as these interim condensed financial statements provide an update of previously reported financial information.

(b) Basis of measurement

The interim condensed financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(c) 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 interim condensed financial statements.

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

2 Basis of preparation, continued

(d) Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these interim condensed financial statements in conformity with IAS 34. Actual results could 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.

In preparing these interim condensed financial statements the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Company's financial statements for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies applied by the Company in these interim condensed financial statements are consistent with those applied by the Company in the financial statements for the year ended 31 December 2016.

4 Net interest income

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Interest income		
Finance lease receivables	2,918,875	1,545,236
Loans to customers	2,892,850	3,716,685
Cash and cash equivalents	1,615,999	2,730,315
Available-for-sale financial assets	574,217	530,969
Placements with banks and other financial institutions	1,902	857,326
Other assets	63,830	18,382
	8,067,673	9,398,913
Interest expense		
Debt securities issued	(1,596,084)	(2,897,832)
Other borrowed funds	(1,290,340)	(1,538,882)
Subordinated debt securities issued	(247,758)	(482,290)
Recognition of discount on long-term receivables	(30,972)	-
	(3,165,154)	(4,919,004)
Net interest income	4,902,519	4,479,909

Interest income on finance lease receivables for the six-month period ended 30 June 2017 includes amortisation of deferred income of KZT 1,405,551 thousand, unaudited (30 June 2016: KZT 683,815 thousand) (Note 14).

5 Impairment losses

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Finance lease receivables (Note 8)	(564,755)	(107,419)
Loans to customers (Note 7)	(348,230)	49,388
Other assets	(17,756)	(335,747)
	(930,741)	(393,778)

6 Cash and cash equivalents

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Nostro accounts with banks		
National Bank of the Republic of Kazakhstan	2,908,189	-
- rated BB	9,115,644	11,754,995
- rated BB-	10,043,668	198
- rated B+	50,635	28,346
- rated B	2,232,009	18,432,830
- rated B-	6,635,123	8,449,152
- rated D	2,525,730	2,525,730
- not rated	45,000	-
Total gross nostro accounts with other banks	33,555,998	41,191,251
Impairment allowance	(2,525,730)	(2,525,730)
Total net nostro accounts with banks	31,030,268	38,665,521
Total cash and cash equivalents	31,030,268	38,665,521

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 2017 and 31 December 2016 the Company considers the nostro account held with KIB for the total amount of KZT 2,525,730 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.

As at 30 June 2017 the Company has three banks, unaudited, (31 December 2016: four banks) whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2017 is KZT 24,837,133 thousand, unaudited (31 December 2016: KZT 34,027,974 thousand).

7 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 2017 KZT'000	31 December 2016 KZT'000
Mortgage loans	53,940,438	59,421,900
Accrued interest	705,438	676,436
Gross loans to customers	54,645,876	60,098,336
Impairment allowance	(3,908,197)	(3,562,695)
Net loans to customers	50,737,679	56,535,641

(a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 30 June 2017 and 31 December 2016:

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Mortgage loans		
- not overdue	49,856,533	55,507,964
- overdue less than 30 days	1,762,465	1,809,108
- overdue 30-89 days	660,787	573,006
- overdue 90-179 days	234,386	453,656
- overdue 180-360 days	443,367	248,093
- overdue more than 360 days	1,688,338	1,506,509
Total mortgage loans to customers	54,645,876	60,098,336
Total impairment allowance on loans to customers	(3,908,197)	(3,562,695)
Total net loans to customers	50,737,679	56,535,641

As at 30 June 2017 carrying amounts of loans with full recourse and partial recourse to the seller were KZT 7,086,310 thousand and KZT 22,130,759 thousand, respectively, unaudited (31 December 2016: KZT 8,903,174 thousand and KZT 25,006,142 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.

(b) Key assumptions and judgements for estimating loan impairment

As at 30 June 2017, the significant assumptions used in determining impairment losses for mortgage loans are the same as those that applied to the Company's financial statements for the year ended 31 December 2016.

Movements in the loan impairment allowance are as follows:

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Balance at the beginning of the period	3,562,695	3,764,985
Net charge (recovery), unaudited	348,230	(49,388)
Write-offs, unaudited	-	(1,241)
Exchange differences on translation	(2,728)	-
Balance at the end of the period, unaudited	3,908,197	3,714,356

8 Finance lease receivables

The components of net investments in finance lease as at 30 June 2017 and 31 December 2016 are as follows:

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Within one year	7,480,026	5,498,695
More than one year, but less than five years	29,899,803	21,978,822
More than five years	102,297,869	75,629,063
Minimum lease payments	139,677,698	103,106,580
Less unearned finance income		
Less than one year	(3,323,995)	(2,494,462)
From one to five years	(12,422,597)	(9,421,510)
More than five years	(20,456,730)	(15,800,950)
Less unearned finance income, total	(36,203,322)	(27,716,922)
Impairment allowance	(1,032,425)	(467,670)
Net investments in finance lease	102,441,951	74,921,988

Credit quality of finance lease receivables

The following table provides information on credit quality of finance lease receivables as at 30 June 2017 and 31 December 2016:

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Finance lease receivables under Own Programme		
- not overdue	2,117,087	3,779,308
- overdue less than 30 days	31,562	-
- overdue 30-89 days	8,594	13,607
- overdue 180-360 days	1,699,870	14,059
- overdue more than 360 days	14,373	-
Total finance lease receivables under Own Programme	3,871,486	3,806,974
Impairment allowance on finance lease under Own Programme	(218,212)	(17,961)
Net Finance lease receivables under Own Programme	3,653,274	3,789,013
Finance lease receivables under Nurly Zher Programme		
- not overdue	92,128,278	68,535,299
- overdue less than 30 days	6,510,321	2,426,263
- overdue 30-89 days	839,163	551,727
- overdue 90-179 days	106,862	43,497
- overdue 180-360 days	7,352	11,223
- overdue more than 360 days	10,914	14,675
Total finance lease receivables under Nurly Zher Programme	99,602,890	71,582,684
Impairment allowance on finance lease receivables under Nurly Zher Programme	(814,213)	(449,709)
Net finance lease receivables under Nurly Zher Programme	98,788,677	71,132,975
Total finance lease receivables	103,474,376	75,389,658
Total impairment allowance on finance lease receivables	(1,032,425)	(467,670)
Total net finance lease receivables	102,441,951	74,921,988

8 Finance lease receivables, continued

Credit quality of finance lease receivables, continued

Movements in the finance lease receivables impairment allowance are as follows:

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Balance at the beginning of the period	467,670	338,459
Net charge, unaudited	564,755	107,419
Balance at the end of the period, unaudited	1,032,425	445,878

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 ranging from 15 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.

9 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.

As at 30 June 2017 the largest advance payment was made to AGS-Plast LLC in the amount of KZT 2,951,748 thousand, unaudited, for construction of residential premises in Almaty city, and Baiterek Development JSC in the amount of KZT 2,000,000 thousand for construction and property acquisition in Almaty, Aktobe, Aktau, Ust-Kamenogorsk and Karaganda, unaudited (31 December 2016: Elitstroy Almaty LLP in the amount of KZT 11,032,390 thousand for construction of athletic village in Almaty under Nurly Zher programme).

10 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 2017.

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

As at 30 June 2017 the largest micro districts acquired and constructed by the Company are located in cities of Almaty, Shymkent, Kyzylorda, Aktobe and Aktau in the total amount of KZT 16,883,636 thousand, unaudited (31 December 2016: the largest micro districts acquired by the Company locate in cities of Shymkent, Aktobe, Petropavlovsk, and Almaty in the total amount of KZT 21,930,991 thousand).

11 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 "Regions Development till 2020" program approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014. The Company will lease out the constructed real estate under finance lease terms approved under this programme.

As at 30 June 2017 the largest construction projects relate to construction of micro district "Zhas Kanat" located in Almaty in the amount of KZT 7,783,419 thousand, unaudited (31 December 2016: micro districts "Assar" located in Shymkent and Zachagansk village in Uralsk in the amounts of KZT 2,983,500 thousand and KZT 2,983,480 thousand, respectively).

12 Debt securities issued

Debt securities issued as at 30 June 2017 and 31 December 2016 comprised USD and KZT denominated bonds.

<u>Emission</u>	<u>Maturity date</u>	<u>Nominal coupon rate</u>	<u>Effective rate</u>	<u>Unaudited 30 June 2017 KZT'000</u>	<u>31 December 2016 KZT'000</u>
KZ2C0Y07E517	26.07.2020	8.5%	8.50%	10,353,047	10,350,981
		1.00%+NBRK refinancing rate (limited to maximum 10%, minimum 6%)			
KZ2C0Y08D913	23.12.2018		12.62%	9,526,301	8,950,306
KZ2C0Y05E503	26.07.2018	8.00%	8.00%	8,188,234	8,185,888
KZ2C0Y08E218	02.04.2020	7.00%	7.00%	6,048,589	7,121
		0.01%+floating inflation index (limited to 7.5%)			
KZPC4Y10B547	15.01.2017		13.45%	-	5,161,471
		0.01%+floating inflation index (limited to 7.5%)			
KZPC2Y12B547	10.04.2017		7.42%	-	4,678,418
				34,116,171	37,334,185

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 7) with a principal amount of KZT 20,568,543 thousand, unaudited (31 December 2016: KZT 21,793,626 thousand).

The floating rate is based on the inflation index for the prior twelve months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

13 Other borrowed funds

	<u>Unaudited 30 June 2017 KZT'000</u>	<u>31 December 2016 KZT'000</u>
Loan from National Management Holding Baiterek JSC	24,801,512	24,075,406
Loans from banks of the Republic of Kazakhstan	3,576,629	7,153,257
Due to the Government of the Republic of Kazakhstan	4,089,623	3,931,321
	32,467,764	35,159,984

As at 30 June 2017 and 31 December 2016, other borrowed funds comprised loans from the Parent under the programme "Regions Development till 2020" approved by the Decree #728 of the Government of the Republic of Kazakhstan date 28 June 2014. As set out in the programme, 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 repayment of principal is at maturity. At initial recognition the loans were recognised at fair value measured by applying a relevant market interest rate to discount the contractual future cash flows. The discount on these loans recognised as deferred income (Note 14).

During the six-month period ended 30 June 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 3,575,000 thousand (unaudited).

14 Deferred income

	Unaudited 30 June 2017 KZT'000	Unaudited 30 June 2016 KZT'000
Balance at the beginning of the period	109,964,767	78,088,020
Deferred income from low-interest rate loans obtained during the period (Note 13), unaudited	-	33,486,061
Amortisation for the period, unaudited	(1,405,551)	(683,815)
Balance at the end of the period, unaudited	108,559,216	110,890,266

During six-month period ended 30 June 2016 the Company has recorded as deferred income the benefits of KZT 33,486,061 thousand, provided by means of low interest rate on the loans from National Management Holding Baiterek JSC. The benefits are to be allocated further to the Company lessees by providing favourable rates. No low interest rate loans were received by the Company during six-month period ended 30 June 2017, unaudited.

15 Other liabilities

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Payable for rights on loans acquired	6,263,007	6,418,389
Subsidies received from Ministry of Investments and Development of the Republic of Kazakhstan	4,350,000	-
Dividends payable (Note 16 (b))	926,802	-
Prepaid loans	901,431	795,817
Interest strip payable	866,397	1,017,687
Loan portfolios servicing fee payable	27,251	29,643
Professional services	10,860	10,275
Total other financial liabilities	13,345,748	8,271,811
Guarantee fees payable	1,253,899	103,414
Payables to employees	250,983	142,345
Contract enforcement fees payable	151,237	1,053,154
Other taxes payable	34,341	19,928
Other non-financial liabilities	426,160	223,054
Total other non-financial liabilities	2,116,620	1,541,895
Total other liabilities	15,462,368	9,813,706

During the six-month period ended 30 June 2017 the Company has initiated a new line of activity – it became an operator of a state - financed program for transfer of subsidies to refund a part of the interest rate on the residential mortgage loans that the second-tier banks grants to the population as a part of “Nurly Zher” Program. As a part of this Program, every year KZT 10,000,000 thousand will be allocated from the national budget of the Republic of Kazakhstan; in April 2017 the Company has received KZT 4,350,000 thousand of said amount. The Government refunds, through the Company, subsidies up to 7% per annum of the interest rate on the borrower’s residential mortgage loans provided by the second - tier banks.

16 Equity

(a) Share capital, share premium and treasury shares

As at 30 June 2017 the authorised share capital comprises 6,331,380 shares including 250,000 treasury shares, unaudited, (31 December 2016: 5,811,380 shares including 250,000 treasury shares). All shares have a nominal value of KZT 10 thousand.

During the six-month period ended 30 June 2017, 520,000 ordinary shares were issued and paid at the par value of KZT 10 per share, unaudited.

(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 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 six-month period ended 30 June 2017, dividends in the amount of KZT 926,802 thousand (KZT 146 per share) were declared, unaudited (during six-month period ended 30 June 2016: no dividends were declared and paid).

(c) 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.

	Unaudited Six-month period ended 30 June 2017	Unaudited Six-month period ended 30 June 2016
Profit for the period, in thousand of KZT	2,071,930	2,346,330
Weighted average number of ordinary shares	5,812,713	5,561,380
Basic and diluted earnings per share, in KZT	356	422

There are no potentially dilutive shares for the period ended 30 June 2017 (30 June 2016: nil).

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 2017 there were no significant changes in relation to market and liquidity risks since 31 December 2016. 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 2017							
ASSETS							
Cash and cash equivalents	27,348,259	-	-	-	-	3,682,009	31,030,268
Available-for-sale financial assets	5,528,342	667,454	1,439,790	2,194,628	1,156,660	-	10,986,874
Loans to customers	3,158,484	979,547	1,997,314	17,357,486	27,244,848	-	50,737,679
Finance lease receivables	1,129,992	1,014,845	2,011,193	17,477,206	80,808,715	-	102,441,951
Other financial assets	-	-	-	-	-	3,996,080	3,996,080
Total assets	37,165,077	2,661,846	5,448,297	37,029,320	109,210,223	7,678,089	199,192,852
LIABILITIES							
Debt securities issued	638,789	9,637,645	-	23,839,737	-	-	34,116,171
Other borrowed funds	77,920	3,579,635	1,671	-	28,808,538	-	32,467,764
Other financial liabilities	-	-	-	-	-	13,345,748	13,345,748
Total liabilities	716,709	13,217,280	1,671	23,839,737	28,808,538	13,345,748	79,929,683
Net position	36,448,368	(10,555,434)	5,446,626	13,189,583	80,401,685	(5,667,659)	119,263,169

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 2016							
ASSETS							
Cash and cash equivalents	38,592,103	-	-	-	-	73,418	38,665,521
Placements with banks and other financial institutions	167,534	-	-	-	-	-	167,534
Available-for-sale financial assets	116,981	116,942	1,315,816	6,748,645	2,791,253	-	11,089,637
Loans to customers	1,540,935	7,399,520	1,926,029	16,804,382	28,864,775	-	56,535,641
Finance lease receivables	834,616	717,059	1,452,559	12,557,312	59,360,442	-	74,921,988
Other financial assets	-	-	-	-	-	3,577,329	3,577,329
Total assets	41,252,169	8,233,521	4,694,404	36,110,339	91,016,470	3,650,747	184,957,650
LIABILITIES							
Debt securities issued	5,800,260	13,628,845	-	17,905,080	-	-	37,334,185
Subordinated debt securities issued	-	10,152,242	-	-	-	-	10,152,242
Other borrowed funds	79,549	3,590,512	3,575,125	-	27,914,798	-	35,159,984
Other financial liabilities	-	-	-	-	-	8,271,811	8,271,811
Total liabilities	5,879,809	27,371,599	3,575,125	17,905,080	27,914,798	8,271,811	90,918,222
Net position	35,372,360	(19,138,078)	1,119,279	18,205,259	63,101,672	(4,621,064)	94,039,428

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 30 June 2017 and 31 December 2016 is as follows:

	Unaudited	
	30 June 2017	31 December 2016
	KZT'000	KZT'000
Profit or loss	Equity	Profit or loss
(213,255)	(213,255)	(146,959)
213,255	213,255	146,959
100 bp parallel rise		
100 bp parallel fall		

17 Risk management, continued

(b) Liquidity risk

The table below shows an analysis, by contractual maturities, of the amounts recognised in the interim condensed statement of financial position as at 30 June 2017:

Unaudited Assets	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
Cash and cash equivalents	31,030,268	-	-	-	-	-	31,030,268
Available-for-sale financial assets	1,433,622	92,634	1,502,980	5,145,494	2,812,144	-	10,986,874
Loans to customers	770,572	681,497	3,165,099	18,198,701	27,921,810	-	50,737,679
Finance lease receivables	481,919	648,073	3,026,038	17,477,206	80,808,715	-	102,441,951
Current tax asset	-	-	-	-	-	2,937,498	2,937,498
Advances paid for acquisition and construction of real estate	6,038,964	-	4,727,142	-	-	-	10,766,106
Assets to be transferred under finance lease agreements	-	-	-	-	-	20,839,983	20,839,983
Construction in progress	-	10,968,980	-	-	-	-	10,968,980
Property and equipment	-	-	-	-	-	2,147,177	2,147,177
Investment property	-	-	-	-	-	1,358,966	1,358,966
Other assets	15,740	71,603	4,200,404	1,504	2,883	478,390	4,770,524
Total assets	39,771,085	12,462,787	16,621,663	40,822,905	111,545,552	27,762,014	248,986,006
Liabilities							
Debt securities issued	638,789	-	458,566	33,018,816	-	-	34,116,171
Other borrowed funds	76,292	1,629	3,581,306	-	28,808,537	-	32,467,764
Deferred income	-	-	-	-	108,559,216	-	108,559,216
Deferred tax liability	-	-	-	-	1,149,157	-	1,149,157
Other liabilities	401,506	1,313,664	12,401,360	895,795	374,708	75,335	15,462,368
Total liabilities	1,116,587	1,315,293	16,441,232	33,914,611	138,891,618	75,335	191,754,676
Net position as at 30 June 2017	38,654,498	11,147,494	180,431	6,908,294	(27,346,066)	27,686,679	57,231,330

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 2016:

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	38,665,521	-	-	-	-	-	38,665,521
Placements with banks and other financial institutions	889	166,645	-	-	-	-	167,534
Available-for-sale financial assets	58,392	58,589	1,432,758	6,748,645	2,791,253	-	11,089,637
Loans to customers	801,165	739,770	3,352,374	19,296,342	32,345,990	-	56,535,641
Finance lease receivables	359,948	474,668	2,169,618	12,557,312	59,360,442	-	74,921,988
Current tax asset	-	-	-	-	-	3,201,687	3,201,687
Advances paid for acquisition and construction of real estate	-	2,732,686	25,479,734	-	-	-	28,212,420
Assets to be transferred under finance lease agreements	-	-	-	-	-	24,221,971	24,221,971
Construction in progress	-	-	9,229,741	-	-	-	9,229,741
Property and equipment	-	-	-	-	-	2,186,810	2,186,810
Investment property	-	-	-	-	-	1,315,991	1,315,991
Other assets	19,117	97,350	3,637,438	1,504	3,071	1,025,444	4,783,924
Total assets	39,905,032	4,269,708	45,301,663	38,603,803	94,500,756	31,951,903	254,532,865
Liabilities							
Debt securities issued	5,800,260	-	4,692,984	26,840,941	-	-	37,334,185
Subordinated debt securities issued	-	-	10,152,242	-	-	-	10,152,242
Other borrowed funds	76,292	3,257	7,165,637	-	27,914,798	-	35,159,984
Deferred income	-	-	-	-	109,964,767	-	109,964,767
Deferred tax liability	-	-	-	-	1,106,223	-	1,106,223
Other liabilities	359,341	7,500,810	618,132	840,603	332,148	162,672	9,813,706
Total liabilities	6,235,893	7,504,067	22,628,995	27,681,544	139,317,936	162,672	203,531,107
Net position as at 31 December 2016	33,669,139	(3,234,359)	22,672,668	10,922,259	(44,817,180)	31,789,231	51,001,758

17 Risk management, continued

(b) Liquidity risk, continued

As at 30 June 2017 included in the category “More than 5 years” are overdue loans to customers and finance lease receivables with net book values of KZT 1,719,741 thousand and KZT 2,034,319 thousand, respectively, unaudited (31 December 2016: KZT 2,838,173 thousand and KZT 2,664,709 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:

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Members of the Board of Directors	29,965	23,267
Members of the Management Board	48,558	43,140
	78,523	66,407

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 2017 and 31 December 2016 with the members of the Management Board are as follows:

	Unaudited 30 June 2017 KZT'000	Unaudited Average interest rate	31 December 2016 KZT'000	Average interest rate
Interim Condensed Statement of Financial Position				
Loans to customers	-	-	16,646	10.72
Other liabilities	12,600	-	48,424	-

Amounts included in profit or loss in relation to transactions with the members of the Management Board are as follows:

	Unaudited Six-month period ended 30 June 2017 KZT'000	Unaudited Six-month period ended 30 June 2016 KZT'000
Interim Condensed Statement of Profit or Loss		
Interest income	-	765

(b) Transactions with other related parties

Other related parties include Baiterek Group, other state organisations and subsidiaries of the Company.

The amounts below are included in the interim condensed statement of financial position as at 30 June 2017 and statement of financial position as at 31 December 2016 interim condensed statement of profit or loss and interim condensed statement of comprehensive income for the six-month periods ended 30 June 2017 and 2016:

18 Related party transactions, continued

(b) Transactions with other related parties, continued

	Unaudited, Six-month period ended 30 June 2017	Unaudited, Six-month period ended 30 June 2017	Unaudited, Six-month period ended 30 June 2016	Unaudited, Six-month period ended 30 June 2016
	Baiterek Group KZT'000	Other state organisations KZT'000	Baiterek Group KZT'000	Other state organisations KZT'000
Interim Condensed Statement of Profit or Loss				
Interest income	-	85,060	552,320	113,255
Interest expense	(1,258,239)	(904,554)	(1,354,539)	(1,790,640)
Net foreign exchange gain	-	-	11,678	-
Commission expense	-	(627)	-	(637)
Other income	-	101,706	3,135	18,917
General administrative expenses	(82,000)	(398,439)	(129,360)	(185,228)
Income tax expense	-	(597,921)	-	(625,467)
Interim Condensed Statement of Comprehensive Income				
Other Comprehensive Income				
Net change in fair value of available-for-sale financial assets	-	12,759	-	172,472



18 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2017 include:

	Unaudited Baiterek Group		Unaudited Other state organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks	-	-	2,908,189	-
Available-for-sale financial assets	-	-	2,379,039	6.51
Current tax asset	-	-	2,937,498	-
Advances paid for acquisition and construction of real estate	2,000,000	-	-	-
Other assets	-	-	165,795	-
Debt securities issued	7,790,320	7.21	16,740,432	7.80
Other borrowed funds	24,801,512	7.13	4,089,623	8.00
Dividends payable	926,802	-	-	-
Deferred tax liability	-	-	1,149,157	-
Other liabilities	287,600	-	4,486,857	-
Revaluation reserve for available-for-sale financial assets	-	-	(362,032)	-

The balances with related parties as at 31 December 2016 include:

	Baiterek Group		Other state organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Available-for-sale financial assets	-	-	2,430,021	6.60
Current tax asset	-	-	3,201,687	-
Advances paid for acquisition and construction of real estate	1,007,820	-	-	-
Other assets	-	-	79,262	-
Debt securities issued	7,486,498	11.09	23,866,262	9.65
Subordinated debt securities issued	-	-	3,396,179	9.76
Other borrowed funds	24,075,406	7.13	3,931,321	8.00
Deferred tax liability	-	-	1,106,223	-
Other liabilities	205,600	-	22,153	-
Revaluation reserve for available-for-sale financial assets	-	-	(315,991)	-

19 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 30 June 2017:

Unaudited KZT'000	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value Φ
Cash and cash equivalents	31,030,268	-	-	31,030,268	31,030,268
Available-for-sale financial assets	-	10,986,874	-	10,986,874	10,986,874
Loans to customers	50,737,679	-	-	50,737,679	44,953,467
Finance lease receivables	102,441,951	-	-	102,441,951	67,459,426
Other financial assets	3,996,080	-	-	3,996,080	3,996,080
	188,205,978	10,986,874	-	199,192,852	158,426,115
Debt securities issued	-	-	34,116,171	34,116,171	31,976,342
Other borrowed funds	-	-	32,467,764	32,467,764	20,358,421
Other financial liabilities	-	-	13,345,748	13,345,748	13,119,615
	-	-	79,929,683	79,929,683	65,454,378

19 Financial assets and liabilities: fair values and accounting classification, 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 2016:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	38,665,521	-	-	38,665,521	38,665,521
Placements with banks and other financial institutions	167,534	-	-	167,534	167,534
Available-for-sale financial assets	-	11,089,637	-	11,089,637	11,089,637
Loans to customers	56,535,641	-	-	56,535,641	55,427,563
Finance lease receivables	74,921,988	-	-	74,921,988	47,319,794
Other financial assets	3,577,329	-	-	3,577,329	3,577,329
	173,868,013	11,089,637	-	184,957,650	156,247,378
Debt securities issued	-	-	37,334,185	37,334,185	36,055,092
Subordinated debt securities issued	-	-	10,152,242	10,152,242	9,870,480
Other borrowed funds	-	-	35,159,984	35,159,984	34,029,467
Other financial liabilities	-	-	8,271,811	8,271,811	8,271,811
	-	-	90,918,222	90,918,222	88,226,850

19 Financial assets and liabilities: fair values and accounting classification, 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 premium 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.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that 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.

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

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value in the interim condensed statement of financial position as at 30 June 2017 and statement of financial position as at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Unaudited 30 June 2017 Level 2 KZT'000	31 December 2016 Level 2 KZT'000
Financial assets		
Available-for-sale financial assets	10,986,874	11,089,637
	10,986,874	11,089,637

As at 30 June 2017 and 31 December 2016 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 2017:

Unaudited KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	31,030,268	-	31,030,268	31,030,268
Loans to customers	44,406,112	547,355	44,953,467	50,737,679
Finance lease receivables	67,459,426	-	67,459,426	102,441,951
Liabilities				
Debt securities issued	31,976,342	-	31,976,342	34,116,171
Other borrowed funds	20,358,421	-	20,358,421	32,467,764

19 Financial assets and liabilities: fair values and accounting classification, 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 2016:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	38,665,521	-	38,665,521	38,665,521
Placements with banks and other financial institutions	167,534	-	167,534	167,534
Loans to customers	55,181,335	246,228	55,427,563	56,535,641
Finance lease receivables	47,290,601	29,193	47,319,794	74,921,988
Liabilities				
Debt securities issued	36,055,092	-	36,055,092	37,334,185
Subordinated debt securities issued	9,870,480	-	9,870,480	10,152,242
Other borrowed funds	34,029,467	-	34,029,467	35,159,984

20 Capital management

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Tier 1 capital		
Share capital	60,728,939	55,528,939
Reserve capital	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Statutory accumulated losses for prior periods	(12,805,108)	(14,967,570)
Intangible assets	(24,380)	(37,249)
Total tier 1 capital	56,456,754	49,081,423
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(1,321,734)	(1,206,178)
Subordinated debt securities issued	-	1,990,893
Net profit for the current year in accordance with NBRK requirements	2,071,930	3,089,264
Total tier 2 capital	750,196	3,873,979
Total capital	57,206,950	52,955,402
Total statutory assets	248,986,006	254,532,865
Credit risk weighted assets and contingent liabilities	234,786,514	195,042,079
Operational risk	5,032,045	4,089,365
Total credit risk weighted assets and contingent liabilities plus operational risk	239,818,559	199,131,444
k1 ratio	0.227	0.193
k1-2 ratio	0.240	0.252
k1-3 ratio	0.239	0.266

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



20 Capital management, continued

As at 30 June 2017 and 31 December 2016 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.