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Mortgage organisation
Kazakhstan Mortgage Company JSC

Unaudited Condensed Interim
Financial Statements
for the Six Months
ended 30 June 2018

Contents

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
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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 2018, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period 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 2018 and for the six-month period 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 2018

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген жауапкершілігі шектеулі серіктестік, Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

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	Note	Unaudited Six months ended 30 June 2018 KZT'000	Unaudited Six months ended 30 June 2017* KZT'000
Interest income calculated using the effective interest method		4,623,829	4,833,869
Other interest income		4,045,805	3,233,804
Interest expense		(3,767,695)	(3,165,154)
Net interest income	6	**4,901,939**	**4,902,519**
Fee and commission income		1,794	491
Fee and commission expense		(102,455)	(109,730)
Net fee and commission expense		**(100,661)**	**(109,239)**
Net gain on investment securities at fair value through profit or loss		413,526	-
Net foreign exchange loss		(18,645)	(1,323)
Other income		190,662	416,613
Operating income		**5,386,821**	**5,208,570**
Impairment losses on debt financial assets	7	(728,896)	(930,741)
Personnel expenses		(747,812)	(816,136)
General administrative expenses		(590,055)	(791,842)
Profit before income tax		**3,320,058**	**2,669,851**
Income tax expense		(581,029)	(597,921)
Profit for the period		**2,739,029**	**2,071,930**
Other comprehensive loss, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (available-for-sale financial assets):			
- Net change in fair value		-	(115,556)
Other comprehensive loss for the period, net of income tax		**-**	**(115,556)**
Total comprehensive income for the period		**2,739,029**	**1,956,374**
Basic and diluted earnings per share, in KZT	18(b)	450	356

*The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(g)).

These condensed interim financial statements as set out on pages 4 to 50 were approved by Management on 1 August 2018 and were signed on its behalf by:

Dykanbayeva A.M. *Acting Chairwoman of the Management Board*	Sagimkulova B.D. *Managing Director*	Zhumanova Sh. *Chief Accountant*

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.

	Unaudited Six months ended 30 June 2018 KZT'000	**Unaudited Six months ended 30 June 2017 * KZT'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	6,002,503	6,413,878
Interest payments	(2,323,134)	(1,909,615)
Fee and commission receipts	1,794	364
Fee and commission payments	(56,384)	(59,466)
Other income receipts	143,764	395,823
Personnel expenses payments	(696,641)	(684,884)
General administrative expenses payments	(623,496)	(750,064)
	2,448,406	**3,406,036**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	3,636,278	158,405
Financial assets at fair value through profit or loss	764	-
Loans to customers	46,013	5,184,101
Advances paid for acquisition and construction of real estate	-	(327,000)
Assets to be transferred under finance lease agreements	(864,387)	(6,321,606)
Construction in progress	(5,169,457)	(3,651,770)
Finance lease receivable	2,517,447	1,591,219
Other assets	124,619	(95,067)
Increase in operating liabilities		
Other liabilities	975,170	4,499,935
Net cash from operating activities before income tax paid	**3,714,853**	**4,444,253**
Income tax paid	-	-
Cash flows from operating activities	**3,714,853**	**4,444,253**

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.

	Unaudited Six months ended 30 June 2018 KZT'000	Unaudited Six months ended 30 June 2017 * KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(10,157,463)	-
Purchase of property and equipment	(39,024)	(873)
Proceeds from sale of investment property	7,000	-
Cash flows used in investing activities	**(10,189,487)**	**(873)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	-	(9,599,700)
Proceeds from debt securities issue	5,999,789	5,887,655
Redemption of subordinated debt securities issued	-	(10,000,000)
Repayment of other borrowed funds	(1,621,372)	(3,575,000)
Proceeds from issuance of share capital	-	5,200,000
Cash flows from/(used in) financing activities	**4,378,417**	**(12,087,045)**
Net decrease in cash and cash equivalents	**(2,096,217)**	**(7,643,665)**
Effect of changes in ECL on cash and cash equivalents	73,220	-
Effect of changes in exchange rates on cash and cash equivalents	18,117	8,412
Cash and cash equivalents at beginning of the period	21,800,196	38,665,521
Cash and cash equivalents at end of the period (Note 8)	**19,795,316**	**31,030,268**

*The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5).

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.

KZT'000	**Share capital**	**Share premium**	**Treasury shares**	**Additional-paid-in capital**	**Reserve capital**	**Fair value reserve**	**Accumulated losses**	**Total**
Balance 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								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for sale financial assets, unaudited	-	-	-	-	-	(115,556)	-	(115,556)
Total other comprehensive loss for the period, unaudited	**-**	**-**	**-**	**-**	**-**	**(115,556)**	**-**	**(115,556)**
Total comprehensive income for the period, unaudited	**-**	**-**	**-**	**-**	**-**	**(115,556)**	**2,071,930**	**1,956,374**
Shares issued	5,200,000	-	-	-	-	-	-	5,200,000
Dividends declared (Note 18(a))	-	-	-	-	-	-	(926,802)	(926,802)
Balance 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**
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 as at 1 January 2018 (see Note 5), unaudited	-	-	-	-	-	1,366,764	(1,168,188)	198,576
Restated balance at 1 January 2018, unaudited	**63,313,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**-**	**(10,278,173)**	**59,008,069**
Total comprehensive income								
Profit for the period, unaudited	-	-	-	-	-	-	2,739,029	2,739,029
Total comprehensive income for the period, unaudited	**-**	**-**	**-**	**-**	**-**	**-**	**2,739,029**	**2,739,029**
Dividends declared (Note 18(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**

*The Company has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Company changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(g)).

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, 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

(b) Shareholders

As at 30 June 2018 and 31 December 2017 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 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 the management's assessment.

2 Basis of preparation

(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 2017. 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 9 have been applied. Changes to significant accounting policies are described in Notes 2(e) and 3.

(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 these estimates.

2 Basis of preparation, 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 that applied to the financial statements as at and for the year ended 31 December 2017, except for the areas described below.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ended 30 June 2018 is included in the following notes:

- impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL – Note 4.

(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

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 '*Financial Instruments*'. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 '*Financial Instruments: Recognition and Measurement*'.

In October 2017, the IASB issued '*Prepayment Features with Negative Compensation*' *(Amendments to IFRS 9)*. The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company has adopted IFRS 9 '*Financial Instruments*' issued in July 2014 with a date of initial application of 1 January 2018 and early adopted amendments to IFRS 9 on the same date. The requirements of IFRS 9 represent a significant change from IAS 39 '*Financial Instruments: Recognition and Measurement*'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

IFRS 9 Financial instruments, continued

Classification of financial assets and financial liabilities

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

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

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

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

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

Transition

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

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the six month ended 30 June 2017 and as at 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the six months ended 30 June 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

IFRS 9 Financial instruments, continued

Transition, continued

- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.
- For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements, except as explained below, related to the Company's adoption of IFRS 9 (Note 2(e)), which is applicable from 1 January 2018.

(a) Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

3 Significant accounting policies, continued

(a) Interest, continued

Calculation of interest income and expense, continued

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

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

Presentation

Interest income and expense presented in the condensed statement of profit or loss and other comprehensive include:

- interest on financial assets and financial liabilities measured at amortised cost calculated using the effective interest method;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- interest on non-derivative debt financial instruments measured at FVTPL and interest income on finance lease receivable are presented separately as “other interest income”. It is measured using the effective interest method, excluding transaction costs.

(b) Financial assets and financial liabilities

i. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

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

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

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

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

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

i. Classification, continued

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

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (see (b)(v)).

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

- contingent events that would change the amount and timing of cash flows;

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

i. Classification, continued

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

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

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company should reclassify financial assets if the Company changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Company's senior management as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties. Accordingly, a change in the Company's business model will occur only when the Company either begins or ceases to perform an activity that is significant to its operations; for example, when the Company has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

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

iii. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

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

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

iii. Modification of financial assets and financial liabilities, continued

Financial assets, continued

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

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower (see (b)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see (a)).

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

As part of credit risk management activities, the Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities'). If the Company plans to modify a financial asset in a way that would result in forgiveness of part of the existing contractual cash flows, then a portion of the asset is written off (see (b)(iv)) before the modification takes place. This is likely to result in the remaining contractual cash flows that are still recognised as the original financial asset at the point of modification to be similar to the new modified contractual cash flows. If based on quantitative assessment the Company concludes that modification of financial assets modified as part of the Company's forbearance policy is not substantial, the Company performs qualitative evaluation of whether the modification is substantial.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

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

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

iii. Modification of financial assets and financial liabilities, continued

Financial liabilities, continued

- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

iv. Impairment

See also Note 4.

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

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

No impairment loss is recognised on equity investments.

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

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

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

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

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Company expects to recover.

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

iv. Impairment, continued

See also Note 4.

Restructured financial assets

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

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3 Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

iv. Impairment, continued

Presentation of allowance for ECL in the condensed statement of financial position

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

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

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

v. Designation at fair value through profit or loss

Financial assets

At initial recognition, the Company has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise rise.

Note 5 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(c) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

3 Significant accounting policies, continued

(d) Loans to customers

'Loans to customers' caption in the condensed statement of financial position include loans to customers measured at amortised cost (see b(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(e) Investment securities

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

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

(f) Comparative information

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

The effect of main changes in presentation of the condensed statement of financial position is disclosed in Note 5.

The effect of main changes in presentation of the condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 is as follows:

- The presentation of interest income was amended to present interest on non-derivative financial assets measured at FVTPL and finance lease receivables, separately under 'other interest income' line item.

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

KZT'000	As previously reported	Effect of reclassifications	As reclassified
Interest income on available-for sale financial institutions	574,217	(574,217)	-
Interest income calculated using the effective interest method	-	259,288	259,288
Interest income on finance lease receivables	2,918,875	(2,918,875)	-
Other interest income	-	3,233,804	3,233,804

(h) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Company has not early adopted the following new or amended standards in the preparing these condensed interim financial statements.

The Company has no updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Company's condensed interim financial statements.

4 Financial risk review

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 19.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Significant increase in credit risk

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

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

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

Credit risk grades

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

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

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

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

Generating the term structure of PD

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

4 Financial risk review, continued

Generating the term structure of PD, continued

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

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

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

Determining whether credit risk has increased significantly

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

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

Modified financial assets

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

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

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

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

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

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action.

4 Financial risk review, continued

Modified financial assets, continued

As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

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

Definition of default

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

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

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

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

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

Incorporating of forward-looking information

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

Measurement of ECL

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

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

4 Financial risk review, continued

Measurement of ECL, continued

If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

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

LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

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

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

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

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

		External benchmarks used	
	Exposure at 30 June 2018	**PD**	**LGD**
Cash and cash equivalents	19,795,316	Moody's default study/ PD internal model	For local exposures LGD statistics is based on recovery of defaults of banks and financial institutions in Kazakhstan
Placements with banks and other financial institutions	2,468,345		
Investment securities measured at amortised cost	15,459,503		
Other assets	4,794,150		
Loans to customers (full and partial recourse)	31,473,937		

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 30 June 2018 and available-for sale debt assets as at 31 December 2017. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(b)(iv).

4 Financial risk review, continued

Credit quality analysis, continued

KZT'000	30 June 2018 (unaudited) 12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Cash and cash equivalents				
National Bank of the Republic of Kazakhstan	293,345	-	-	293,345
rated BBB-	4,106,610	-	-	4,106,610
rated BB+	40	-	-	40
rated BB	65,868	-	-	65,868
rated BB-	1,489	-	-	1,489
rated B+	579,697	-	-	579,697
rated B	3,105,123	-	-	3,105,123
rated B-	3,309	-	-	3,309
rated D	-	-	2,141,045	2,141,045
	8,155,481	**-**	**2,141,045**	**10,296,526**
Loss allowance	**(68,168)**	**-**	**(2,141,045)**	**(2,209,213)**
Reverse repurchase agreements				
Rated BBB- to BBB+	**11,708,003**	**-**	**-**	**11,708,003**
Carrying amount	**19,795,316**	**-**	**-**	**19,795,316**
Placements with Banks and other financial institutions				
Rated B+	2,425,644	-	-	2,425,644
Not rated	66,346	-	-	66,346
	2,491,990	**-**	**-**	**2,491,990**
Loss allowance	**(23,645)**	**-**	**-**	**(23,645)**
Carrying amount	**2,468,345**	**-**	**-**	**2,468,345**
Investment securities at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,544,971	-	-	1,544,971
rated BBB-	1,241,897	-	-	1,241,897
rated from B+ to B-	11,664,384	-	-	11,664,384
not rated	1,028,418	-	2,597,126	3,625,544
	15,479,670	**-**	**2,597,126**	**18,076,796**
Loss allowance	**(20,167)**	**-**	**(2,597,126)**	**(2,617,293)**
Carrying amount	**15,459,503**	**-**	**-**	**15,459,503**
Loans to customers				
Not overdue	42,846,200	225,789	3,257,766	46,329,755
Overdue less than 30 days	3,023,843	26,063	277,534	3,327,440
Overdue 31-60 days	-	605,837	510,869	1,116,706
Overdue 61-89 days	-	356,054	608,298	964,352
Overdue more than 90 days	-	-	2,735,561	2,735,561
	45,870,043	**1,213,743**	**7,390,028**	**54,473,814**
Loss allowance	**(391,802)**	**(242,798)**	**(3,758,404)**	**(4,393,004)**
Carrying amount	**45,478,241**	**970,945**	**3,631,624**	**50,080,810**
Finance lease receivables				
Not overdue	116,896,240	149,552	14,770	117,060,562
Overdue less than 30 days	10,282,761	127,533	-	10,410,294
Overdue 31-60 days	74,658	1,879,481	-	1,954,139
Overdue 61-89 days	-	682,199	7,922	690,121
Overdue more than 90 days	-	7,952	530,062	538,014
	127,253,659	**2,846,717**	**552,754**	**130,653,130**
Loss allowance	**(161,772)**	**(260,940)**	**(74,842)**	**(497,554)**
Carrying amount	**127,091,887**	**2,585,777**	**477,912**	**130,155,576**
Other financial assets				
Stage 1	3,488,371	-	-	3,488,371
Stage 3	-	-	673,460	673,460
	3,488,371	**-**	**673,460**	**4,161,831**
Loss allowance	**(64,586)**	**-**	**(311,267)**	**(375,853)**
Carrying amount	**3,423,785**	**-**	**362,193**	**3,785,978**

5 Transition to IFRS 9

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

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

KZT'000	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification	Remeasurement	New carrying amount under IFRS 9
Financial assets							
Cash and cash equivalents	8	Loans and receivables	Amortised cost	21,800,196	-	(140,770)	21,659,426
Placements with banks and other financial institutions	9	Loans and receivables	Amortised cost	6,109,035	-	(42,129)	6,066,906
Investment securities	10	Available for sale	FVOCI	9,234,246	(9,234,246)	-	-
Investment securities – debt [(b)]	10	Available for sale	Amortised cost	-	4,511,985	(96,207)	4,415,778
Investment securities – debt [(a)]	10	Available for sale	FVTPL (mandatory)	-	4,722,261	-	4,722,261
Loans to customers	11	Loans and receivables	Amortised cost	50,049,179	-	208,447	50,257,626
Finance lease receivable	12	Loans and receivables	Amortised cost	117,838,422	-	(77,552)	117,760,870
Other financial assets		Loans and receivables	Amortised cost	4,119,868	-	8,330	4,128,196
Total financial assets				**209,150,946**	**-**	**(139,881)**	**209,011,063**
Financial liabilities							
Debt securities issued	15	Amortised cost	Amortised cost	43,177,214	-	-	43,177,214
Other borrowed funds		Amortised cost	Amortised cost	29,832,799	-	-	29,832,799
Other financial liabilities	17	Amortised cost	Amortised cost	8,953,388	-	-	8,953,388
Total financial liabilities				**81,963,401**	**-**	**-**	**81,963,401**

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

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

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

5 Transition to IFRS 9, continued

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

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and accumulated losses. The impact relates to the fair value reserve and accumulated losses. There is no impact on other components of equity.

KZT'000	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve:	
Closing balance under IAS 39 (31 December 2017)	(1,366,764)
Reclassification of debt investment securities from available-for-sale to amortised cost	380,146
Reclassification of debt investment securities from available-for-sale to FVTPL	986,618
Opening balance under IFRS 9 (1 January 2018)	**-**
Accumulated losses:	
Closing balance under IAS 39 (31 December 2017)	(9,109,985)
Reclassifications under IFRS 9	(986,618)
Recognition of expected credit losses under IFRS 9 (including lease receivables)	(139,881)
Income tax effect	(41,689)
Opening balance under IFRS 9 (1 January 2018)	**(10,278,173)**

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as at 31 December 2017; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

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

	Impairment allowance and provisions			
KZT'000	**31 December 2017 (IAS 39/ IAS 37)**	**Reclassification**	**Remeasurement**	**1 January 2018 (IFRS 9)**
Loans and receivables under IAS 39 of financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, placements with banks, finance lease receivables and other financial assets)	6,606,378	-	43,674	6,650,052
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	2,592,245	-	96,207	2,688,452
Total measured at amortised cost	**9,198,623**	**-**	**139,881**	**9,338,504**
Available-for-sale debt investment securities under IAS 39 reclassified to FVTPL under IFRS 9	437,743	(437,743)	-	-
Total measured at FVTPL	**437,743**	**(437,743)**	**-**	**-**

6 Net interest income

	Unaudited Six months ended 30 June 2018 KZT'000	Unaudited Six months ended 30 June 2017 KZT'000
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	2,758,350	2,892,850
Cash and cash equivalents	944,881	1,615,999
Investment securities measured at amortised cost	670,727	259,288
Placements with banks and other financial institutions	204,828	1,902
Other assets	45,043	63,830
	4,623,829	**4,833,869**
Other interest income		
Finance lease receivables	3,833,928	2,918,875
Investment securities measured at fair value through profit or loss	211,877	314,929
	4,045,805	**3,233,804**
Interest expense		
Debt securities issued	(2,525,904)	(1,596,084)
Other borrowed funds	(1,223,139)	(1,290,340)
Subordinated debt securities issued	-	(247,758)
Recognition of discount on long-term receivables	(18,652)	(30,972)
	(3,767,695)	**(3,165,154)**
Net interest income	**4,901,939**	**4,902,519**

Interest income on finance lease receivables for the six months ended 30 June 2018 includes amortisation of deferred income of KZT 1,811,861 thousand, unaudited (30 June 2017: KZT 1,405,551 thousand) (Note 16).

7 Impairment losses on debt financial assets

	Unaudited Six months ended 30 June 2018 KZT'000	Unaudited Six months ended 30 June 2017 KZT'000
Finance lease receivables (Note 12)	(126,518)	(564,755)
Loans to customers (Note 11)	(588,605)	(348,230)
Cash and cash equivalents (Note 8)	73,220	-
Placements with banks and other financial institutions (Note 9)	18,484	-
Investment securities measured at amortised cost (Note 10)	71,159	-
Other financial assets	(176,636)	(17,756)
	(728,896)	**(930,741)**

8 Cash and cash equivalents

	Unaudited 30 June 2018 KZT'000	31 December 2017 KZT'000
Nostro accounts with NBRK	293,345	1,291,453
Nostro accounts with other banks		
- rated BBB-	4,106,610	-
- rated BB+	40	-
- rated BB	65,868	3,395,831
- rated BB-	1,489	2,644,991
- rated B+	579,697	9,950,088
- rated B	3,105,123	405,255
- rated B-	3,309	5,355
- rated D	2,141,045	2,141,045
Total gross nostro accounts with other banks	**10,296,526**	**19,834,018**
Impairment allowance	(2,209,213)	(2,141,045)
Total net nostro accounts with banks	**8,087,313**	**17,692,973**
Reverse repurchase agreements		
- rated BBB- to BBB+	11,708,003	4,107,223
Total reverse repurchase agreements	**11,708,003**	**4,107,223**
Total cash and cash equivalents	**19,795,316**	**21,800,196**

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

On 27 December 2016 the NBRK revoked the license of Kazinvestbank JSC (KIB) citing its repeated failures to process payment. As at 30 June 2018 the Company considers the nostro account held with KIB for the total amount of KZT 2,141,045 thousand fully impaired as based on its understanding of the KIB's current position it does not expect probable future cash flows from the assets (31 December 2017: KZT 2,141,045 thousand).

As at 30 June 2018 the Company has no banks (31 December 2017: one bank) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2017 was KZT 9,899,932 thousand.

During the six months ended 30 June 2018, the Company entered into the reverse REPO transactions with counterparties at Kazakhstan Stock Exchange. These transactions are collatelarised with the treasury bills of the Ministry of Finance of the Republic of Kazakhstan and notes of the NBRK. As at 30 June 2018 the fair value of financial assets collateralising reverse repurchase agreements is KZT 12,312,241 thousand, unaudited (31 December 2017: KZT 4,102,001 thousand).

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

	Six-month period ended 30 June 2018				Six-month period ended 30 June 2017
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**KZT'000**	**KZT'000**
Balance at the beginning of the period	-	-	2,141,045	2,141,045	2,525,730
Effect of initial application of IFRS 9, unaudited	140,770	-	-	140,770	-
Net recovery, unaudited	(73,220)	-	-	(73,220)	-
Exchange differences on translation, unaudited	618	-	-	618	-
Balance at the end of the period, unaudited	**68,168**	**-**	**2,141,045**	**2,209,213**	**2,525,730**

Comparative amounts for the six-month period ended 30 June 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

9 Placements with banks and other financial institutions

	Unaudited 30 June 2018 KZT'000	2017 KZT'000
- rated BB-	-	6,006,411
- rated B+	2,425,644	-
- not rated	66,346	102,624
	2,491,990	**6,109,035**
Impairment allowance	(23,645)	-
	2,468,345	**6,109,035**

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

None of the balances of placements are impaired or past due.

As at 30 June 2018 the Company placed a term deposit with interest rate 13.00% per annum and which has maturity in April 2019.

As at 30 June 2018 the Company has no banks (2017: one bank) whose balances exceed 10% of equity. The gross value of the balance as at 31 December 2017 was KZT 6,006,411 thousand.

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

	Six-month period ended 30 June 2018				Six-month period ended 30 June 2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	KZT'000	KZT'000
Balance at the beginning of the period	-	-	-	-	-
Effect of initial application of IFRS 9, unaudited	42,129	-	-	42,129	-
Net recovery, unaudited	(18,484)	-	-	(18,484)	-
Balance at the end of the period, unaudited	**23,645**	**-**	**-**	**23,645**	**-**

Comparative amounts for the six-month period ended 30 June 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

10 Investment securities/available-for-sale financial assets

	30 June 2018 KZT'000	2017 KZT'000
Investment securities measured at fair value through profit or loss	5,162,117	-
Investment securities measured at amortised cost	15,459,503	-
Available-for-sale financial assets	-	9,234,246
	20,621,620	**9,234,246**

10 Investment securities/available-for-sale financial assets, continued

	Unaudited 30 June 2018 KZT'000
Investment securities measured at fair value through profit or loss	
Corporate bonds rated from B+ to B-	3,856,103
Not rated corporate bonds	1,306,014
	5,162,117
Investment securities measured at amortised cost	
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,544,971
Corporate bonds rated BBB-	1,241,897
Corporate bonds rated from B+ to B-	11,664,384
Not rated corporate bonds	3,625,544
	18,076,796
Impairment allowance	(2,617,293)
	15,459,503

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

In February 2018 the Company purchased the coupon bonds CCBNb30 issued by Bank CenterCredit JSC for KZT 10,163,208 thousand.

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") and "KT Orda Credit LLC ("OC") with the gross carrying amounts of KZT 1,117,796 thousand, KZT 984,930 thousand and KZT 494,400 thousand, respectively (31 December 2017: Kazakhstan Kagazy JSC ("KK"), "Corporation "APK Invest" LLC ("APK") and "KT Orda Credit LLC ("OC") with gross amounts of KZT 1,117,796 thousand, KZT 984,930 thousand and KZT 489,519 thousand respectively). KK, APK and OC bonds were excluded from trading on KASE on 13 November 2015, 4 July 2017 and 26 January 2018, respectively. As at 30 June 2018 and 2017 the Company considers these bonds fully impaired as based on its understanding of the issuers' financial positions it does not expect probable future cash flows from the assets.

Analysis of movements in the impairment allowance of investment securities measured at amortised cost by three ECL stages for the six-month period ended 30 June 2018 are as follows:

	Six-month period ended 30 June 2018		
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	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**

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

10 Investment securities/available-for-sale financial assets, continued

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

	Six-month period ended 30 June 2017 KZT'000
Balance at the beginning of the period	1,555,539
Net charge, unaudited	-
Balance at the end of the period, unaudited	**1,555,539**

11 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 2018 KZT'000	31 December 2017 KZT'000
Mortgage loans	53,594,435	53,300,190
Accrued interest	879,379	757,626
Gross loans to customers	**54,473,814**	**54,057,816**
Impairment allowance	(4,393,004)	(4,008,637)
Net loans to customers	**50,080,810**	**50,049,179**

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 30 June 2018 and 31 December 2017:

	Unaudited 30 June 2018 KZT'000	31 December 2017 KZT'000
Mortgage loans		
- not overdue	46,329,755	48,953,692
- overdue less than 30 days	3,327,440	2,090,382
- overdue 30-89 days	2,081,058	755,102
- overdue 90-179 days	615,692	404,837
- overdue 180-360 days	330,329	131,808
- overdue more than 360 days	1,789,540	1,721,995
Total loans to customers	**54,473,814**	**54,057,816**
Total impairment allowance on loans to customers	(4,393,004)	(4,008,637)
Total net loans to customers	**50,080,810**	**50,049,179**

As at 30 June 2018 the carrying amounts of loans with full recourse and partial recourse to the seller were KZT 13,984,942 thousand and KZT 17,488,995 thousand, respectively, unaudited (31 December 2017: KZT 10,397,029 thousand and KZT 19,684,750 thousand, respectively).

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

11 Loans to customers, continued

(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-month periods ended 30 June 2018 and 30 June 2017 are as follows:

	Six-month period ended 30 June 2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	KZT'000
Balance at the beginning of the period	357,521	221,554	3,429,562	4,008,637
Effect of initial application of IFRS 9, unaudited	(122,935)	(4,424)	(81,088)	(208,447)
Net charge, unaudited	156,871	22,212	409,522	588,605
Exchange differences on translation, unaudited	345	3,456	408	4,209
Balance at the end of the period, unaudited	**391,802**	**242,798**	**3,758,404**	**4,393,004**

Comparative amounts for the six-month period ended 30 June 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

	Six months ended 30 June 2017 KZT'000
Balance at the beginning of the period	3,562,695
Net charge, unaudited	348,230
Exchange differences on translation, unaudited	(2,728)
Balance at the end of the period, unaudited	**3,908,197**

12 Finance lease receivables

The components of net investments in finance lease as at 30 June 2018 and 31 December 2017 are as follows:

	Unaudited 30 June 2018 KZT'000	31 December 2017 KZT'000
Within one year	9,400,136	8,450,647
More than one year, but less than five years	37,837,610	33,849,644
More than five years	125,699,105	115,081,647
Minimum lease payments	**172,936,851**	**157,381,938**
Less unearned finance income:		
Less than one year	(3,915,295)	(3,581,758)
From one to five years	(14,728,756)	(13,452,112)
More than five years	(23,639,670)	(22,216,162)
Less unearned finance income, total	**(42,283,721)**	**(39,250,032)**
Less impairment allowance	(497,554)	(293,484)
Net investment in finance lease	**130,155,576**	**117,838,422**

12 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 2018 and 31 December 2017:

	Unaudited 30 June 2018 KZT'000	31 December 2017 KZT'000
Finance lease receivables under Own Programme		
- not overdue	2,020,094	2,082,982
- overdue 30-89 days	-	13,167
- overdue 180-360 days	13,002	28,390
- overdue more than 360 days	52,703	98,973
Total finance lease receivables under Own Programme	**2,085,799**	**2,223,512**
Impairment allowance on finance lease receivables under Own Programme	(116,495)	(36,954)
Net finance lease receivables under Own Programme	**1,969,304**	**2,186,558**
Finance lease receivables under Nurly Zher Programme		
- not overdue	115,040,468	107,958,744
- overdue less than 30 days	10,410,294	6,406,354
- overdue 30-89 days	2,644,260	1,416,149
- overdue 90-179 days	376,895	112,424
- overdue 180-360 days	87,850	7,268
- overdue more than 360 days	7,564	7,455
Total finance lease receivables under Nurly Zher Programme	**128,567,331**	**115,908,394**
Impairment allowance on finance lease receivables under Nurly Zher Programme	(381,059)	(256,530)
Net finance lease receivables under Nurly Zher Programme	**128,186,272**	**115,651,864**
Total finance lease receivables	**130,653,130**	**118,131,906**
Total impairment allowance on finance lease receivables	(497,554)	(293,484)
Total net finance lease receivables	**130,155,576**	**117,838,422**

Movements in the loan impairment allowance by classes of finance lease receivables and by three ECL stages for the six-month periods ended 30 June 2018 and 30 June 2017 are as follows:

	Six-month period ended 30 June 2018			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**KZT'000**
Balance at the beginning of the period	95,422	153,916	44,146	293,484
Effect of initial application of IFRS 9, unaudited	25,215	40,672	11,665	77,552
Net charge, unaudited	41,135	66,352	19,031	126,518
Balance at the end of the period, unaudited	**161,772**	**260,940**	**74,842**	**497,554**

	Six months ended 30 June 2017 KZT'000
Balance at the beginning of the year, period	467,670
Net charge, unaudited	564,755
Balance at the end of the period, unaudited	**1,032,425**

Comparative amounts for the six-month period ended 30 June 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

12 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 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.

13 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 2018.

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

As at 30 June 2018 the largest micro-districts acquired and constructed by the Company are located in cities of Almaty, Aktau and Almaty region (Besagash village) in the total amount of KZT 8,938,213 thousand, unaudited (31 December 2017: the largest micro districts in the city of Almaty and Almaty region in the total amount of KZT 4,695,715 thousand).

14 Construction in progress

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

As at 30 June 2018 the largest construction projects relate to construction of the micro-district “Nur-Aktobe” located in Aktobe in the amount of KZT 2,981,884 thousand, micro-district 14-15 located in Karaganda in the amount of KZT 1,702,510 thousand and residential district 19 located in Ust-Kamenogorsk in the amount of KZT 1,631,423 thousand, unaudited (31 December 2017: the micro-district “Zhas-Kanat” located in Almaty, “micro district #32A” located in Aktau, and “Nur-Aktobe” located in Aktobe in the amounts of KZT 14,302,250 thousand, KZT 3,151,947 thousand and KZT 1,107,736 thousand, respectively).

15 Debt securities issued

During six-month period ended 30 June 2018 the Company issued unsecured coupon bonds (NIN: KZ2C0Y10F013) in the amount of KZT 5,999,789 thousand with fixed coupon rate of 10.5%.

16 Deferred income

	Unaudited 30 June 2018 KZT'000	Unaudited 30 June 2017 KZT'000
Balance at the beginning of the period	106,893,420	109,964,767
Recalculation of deferred income due to partial repayment of principal, unaudited	(1,008,353)	-
Amortisation for the period, unaudited	(1,811,861)	(1,405,551)
Balance at the end of the period, unaudited	**104,073,206**	**108,559,216**

17 Other liabilities

	Unaudited 30 June 2018 KZT'000	31 December 2017 KZT'000
Payable for rights on loans acquired	6,528,201	6,404,853
Subsidies received from Ministry of Investments and Development of Kazakhstan	1,488,967	-
Prepaid loans	1,128,233	1,725,836
Dividends payable (Note (18(a))	1,108,575	-
Interest strip payable	740,510	735,546
Loan portfolios servicing fee payable	40,134	24,116
Professional services	14,971	63,037
Total other financial liabilities	**11,049,591**	**8,953,388**
Contract enforcement fees payable	814,665	989,018
Payables to employees	175,496	219,295
Guarantee fees payable	91,723	134,824
Other taxes payable	62,156	62,680
Other non-financial liabilities	181,115	102,861
Total other non-financial liabilities	**1,325,155**	**1,508,678**
Total other liabilities	**12,374,746**	**10,462,066**

(a) Subsidies received from Ministry of Investments and Development of Kazakhstan

During six-month period ended 30 June 2018 the Company received additional subsidies in the amount of KZT 1,500,000 thousand from Ministry of Investments and Development of Kazakhstan with a view to provide subsidies up to 7% per annum to refund a part of the interest rate on the residential mortgage loans issued by the second-tier banks as part of the previously adopted "Nurly Zher" Programme.

18 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 2018, dividends in the amount of KZT 1,108,575 thousand (KZT 182.29 per share) were declared by the Company, unaudited (during the six months ended 30 June 2017: the Company declared dividends in the amount of KZT 926,802 thousand (KZT 146 per share).

18 Equity, continued

(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.

	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2017
Profit for the period, in thousands of KZT	2,739,029	2,071,930
Weighted average number of ordinary shares	6,081,380	5,812,713
Basic and diluted earnings per share, in KZT	**450**	**356**

There are no potentially dilutive shares for the period ended 30 June 2018 (30 June 2017: nil).

19 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 2018 there were no significant changes in relation to market and liquidity risks since 31 December 2017, 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:

19 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 2018							
ASSETS							
Cash and cash equivalents	19,322,459	-	-	-	-	472,857	19,795,316
Placements with banks and other financial institutions	25,644	-	2,376,355	-	-	66,346	2,468,345
Investment securities:							
- measured at fair value through profit or loss	4,520,689	641,428	-	-	-	-	5,162,117
- measured at amortised cost	1,582,746	2,245,787	-	-	11,630,970	-	15,459,503
Loans to customers	2,737,745	1,154,337	2,336,293	19,357,348	24,495,087	-	50,080,810
Finance lease receivables	1,504,977	1,328,119	2,688,111	23,106,717	101,527,652	-	130,155,576
Other financial assets	-	-	-	-	-	3,785,978	3,785,978
Total assets	**29,694,260**	**5,369,671**	**7,400,759**	**42,464,065**	**137,653,709**	**4,325,181**	**226,907,645**
LIABILITIES							
Debt securities issued	18,795,614	179,807	-	16,116,405	14,375,191	-	49,467,017
Other borrowed funds	76,291	1,529	4,635	-	30,245,677	-	30,328,132
Other financial liabilities	-	-	-	-	-	11,049,591	11,049,591
Total liabilities	**18,871,905**	**181,336**	**4,635**	**16,116,405**	**44,620,868**	**11,049,591**	**90,844,740**
Net position	**10,822,355**	**5,188,335**	**7,396,124**	**26,347,660**	**93,032,841**	**(6,724,410)**	**136,062,905**

19 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 2017							
ASSETS							
Cash and cash equivalents	20,027,035	-	-	-	-	1,773,161	21,800,196
Placements with banks and other financial institutions	6,006,411	-	-	-	-	102,624	6,109,035
Available-for-sale financial assets	3,251,779	1,614,462	3,203,609	-	1,164,396	-	9,234,246
Loans to customers	2,687,910	1,044,926	2,154,910	18,697,567	25,463,866	-	50,049,179
Finance lease receivables	1,325,093	1,171,860	2,371,935	20,397,532	92,572,002	-	117,838,422
Other financial assets	-	-	-	-	-	4,119,868	4,119,868
Total assets	**33,298,228**	**3,831,248**	**7,730,454**	**39,095,099**	**119,200,264**	**5,995,653**	**209,150,946**
LIABILITIES							
Debt securities issued	638,789	10,115,474	7,917,805	16,018,473	8,486,673	-	43,177,214
Other borrowed funds	76,292	15,990	125	-	29,740,392	-	29,832,799
Other financial liabilities	-	-	-	-	-	8,953,388	8,953,388
Total liabilities	**715,081**	**10,131,464**	**7,917,930**	**16,018,473**	**38,227,065**	**8,953,388**	**81,963,401**
Net position	**32,583,147**	**(6,300,216)**	**(187,476)**	**23,076,626**	**80,973,199**	**(2,957,735)**	**127,187,545**

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 2018 and 31 December 2017 is as follows:

	Unaudited 30 June 2018 KZT'000		31 December 2017 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	131,922	131,922	196,206	196,206
100 bp parallel fall	(131,922)	(131,922)	(196,206)	(196,206)

19 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 2018:

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	19,761,631	-	33,685	-	-	-	19,795,316
Placements with banks and other financial institutions	25,644	-	2,376,355	-	-	66,346	2,468,345
Investment securities:							
- measured at fair value through profit or loss	276,910	38,308	13,276	3,100,446	1,733,177	-	5,162,117
- measured at amortised cost	1,075,608	507,138	2,245,787	-	11,630,970	-	15,459,503
Loans to customers	860,619	784,416	3,620,125	19,909,514	24,906,136	-	50,080,810
Finance lease receivables	625,406	879,571	4,016,230	23,106,717	101,527,652	-	130,155,576
Current tax asset	-	-	-	-	-	2,281,089	2,281,089
Advances paid for acquisition and construction of real estate	-	2,275,578	1,167,937	-	-	-	3,443,515
Assets to be transferred under finance lease agreements	-	-	-	-	-	12,162,713	12,162,713
Construction in progress	-	-	9,536,814	-	-	-	9,536,814
Property, plant and equipment	-	-	-	-	-	2,135,407	2,135,407
Investment property						863,936	863,936
Other assets	13,315	122,236	3,939,869	1,905	2,131	714,694	4,794,150
Total assets	**22,639,133**	**4,607,247**	**26,950,078**	**46,118,582**	**139,800,066**	**18,224,185**	**258,339,291**
Liabilities							
Debt securities issued	8,715,201	365,972	9,894,248	16,116,405	14,375,191	-	49,467,017
Other borrowed funds	76,291	-	6,164	-	30,245,677	-	30,328,132
Deferred income	-	-	-	-	104,073,206	-	104,073,206
Deferred tax liability	-	-	-	-	1,457,667	-	1,457,667
Other liabilities	1,302,199	2,929,114	7,548,056	389,675	205,702	-	12,374,746
Total liabilities	**10,093,691**	**3,295,086**	**17,448,468**	**16,506,080**	**150,357,443**	**-**	**197,700,768**
Net position as at 30 June 2018	**12,545,442**	**1,312,161**	**9,501,610**	**29,612,502**	**(10,557,377)**	**18,224,185**	**60,638,523**

19 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 2017:

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	21,800,196	-	-	-	-	-	21,800,196
Placements with banks and other financial institutions	6,411	6,000,000	-	-	-	102,624	6,109,035
Available-for-sale financial assets	180,750	38,308	3,399,392	2,764,021	2,851,775	-	9,234,246
Loans to customers	801,278	709,539	3,348,074	19,314,787	25,875,501	-	50,049,179
Finance lease receivables	549,023	776,070	3,543,795	20,397,532	92,572,002	-	117,838,422
Current tax asset	-	-	-	-	-	2,645,992	2,645,992
Advances paid for acquisition and construction of real estate	-	2,203,267	1,543,480	-	-	-	3,746,747
Assets to be transferred under finance lease agreements	-	-	-	-	-	7,652,924	7,652,924
Construction in progress	-	-	23,475,511	-	-	-	23,475,511
Property, plant and equipment	-	-	-	-	-	2,173,139	2,173,139
Investment property	-	-	-	-	-	917,489	917,489
Other assets	20,782	96,058	3,702,262	1,886	2,319	1,018,758	4,842,065
Total assets	**23,358,440**	**9,823,242**	**39,012,514**	**42,478,226**	**121,301,597**	**14,510,926**	**250,484,945**
Liabilities							
Debt securities issued	638,789	-	18,033,279	16,018,473	8,486,673	-	43,177,214
Other borrowed funds	76,292	-	16,115	-	29,740,392	-	29,832,799
Deferred income	91,743	198,797	1,094,780	8,461,672	97,046,428	-	106,893,420
Deferred tax liability	-	-	-	-	1,309,953	-	1,309,953
Other liabilities	60,577	1,659,482	8,080,497	422,122	226,558	12,830	10,462,066
Total liabilities	**867,401**	**1,858,279**	**27,224,671**	**24,902,267**	**136,810,004**	**12,830**	**191,675,452**
Net position as at 31 December 2017	**22,491,039**	**7,964,963**	**11,787,843**	**17,575,959**	**(15,508,407)**	**14,498,096**	**58,809,493**

19 Risk management, continued

(b) Liquidity risk, continued

As at 30 June 2018 included in the category "More than 5 years" are overdue loans to customers and finance lease receivables with net book values of KZT 978,608 thousand and KZT 496,209 thousand, respectively, unaudited (31 December 2017: KZT 1,642,387 thousand and KZT 260,084 thousand, respectively).

20 Related party transactions

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration included in employee compensation:

	Unaudited Six months ended 30 June 2018 KZT'000	**Unaudited Six months ended 30 June 2017 KZT'000**
Members of the Board of Directors	12,070	29,965
Members of the Management Board	51,704	48,558
	63,774	**78,523**

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 2018 and 31 December 2017 with the members of the Management Board are as follows:

	Unaudited 30 June 2018 KZT'000	**Unaudited Average interest rate**	**31 December 2017 KZT'000**	**Average interest rate**
Condensed Interim Statement of Financial Position				
Other liabilities	16,500	-	25,200	-

20 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 financial position as at 30 June 2018 and statement of financial position as at 31 December 2017 condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the six months ended 30 June 2018 and 2017:

	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2017	Unaudited Six months ended 30 June 2017
	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	1,845,546	464,008	-	85,060
Interest expense	(1,574,580)	(1,042,982)	(1,258,239)	(904,554)
Commission expense	-	-	-	(627)
Other income	-	34,018	-	101,706
Commission expense	-	(490)	-	-
General administrative expenses	(28,873)	(215,860)	(82,000)	(398,439)
Income tax expense	-	(581,029)	-	(597,921)
Condensed Interim Statement of Comprehensive Income				
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	-	-	12,759

20 Related party transactions, continued

(b) Transactions with other related parties, continued

The balances with related parties as at 30 June 2018 include:

	Unaudited Baiterek Group		**Unaudited Other state organisations**	
	KZT'000	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**
Cash and cash equivalents	4,106,610	7.5	11,708,004	8.19
Placements with banks	-	-	293,345	-
Investment securities measured at amortised cost	-	-	2,786,869	6.43
Current tax asset	-	-	2,281,089	-
Advances paid for acquisition and construction of real estate	2,275,578	-	-	-
Other assets	-	-	62,409	-
Debt securities issued	8,165,453	11.22	18,034,358	7.84
Other borrowed funds	25,291,083	0.15	4,407,049	0.10
Deferred income	-	-	104,073,206	-
Dividends payable	1,108,575	-	-	-
Deferred tax liability	-	-	1,457,667	-
Other liabilities	76,000	-	1,635,959	-

The balances with related parties as at 31 December 2017 include:

	Baiterek Group		**Other state organisations**	
	KZT'000	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**
Cash and cash equivalents	-	-	4,107,223	9.29
Placements with banks	-	-	1,291,453	6.55
Available-for-sale financial assets	-	-	2,402,212	8.7
Current tax asset	-	-	2,645,992	-
Advances paid under finance lease agreement	2,000,000	-	-	-
Other assets	-	-	137,485	-
Debt securities issued	8,020,915	11.19	16,918,662	9.25
Other borrowed funds	25,596,002	0.15	4,236,797	0.10
Deferred income	-	-	106,893,420	-
Deferred tax liability	-	-	1,309,953	-
Other liabilities	59,600	-	643,221	-
Revaluation reserves for available-for-sale financial assets	-	-	(344,458)	-

21 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 2018:

Unaudited KZT'000	**Amortised cost**	**Fair value through profit or loss**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	19,795,316	-	19,795,316	19,795,316
Placements with banks and other financial institutions	2,468,345	-	2,468,345	2,468,345
Investment securities measured:				
- at amortised cost	15,459,503	-	15,459,503	15,079,356
- at fair value through profit or loss	-	5,162,117	5,162,117	5,162,117
Loans to customers	50,080,810	-	50,080,810	44,939,699
Other financial assets	3,785,978	-	3,785,978	3,785,978
	91,589,952	**5,162,117**	**96,752,069**	**89,197,129**
Debt securities issued	49,467,017	-	49,467,017	48,081,107
Other borrowed funds	30,328,132	-	30,328,132	29,561,996
Other financial liabilities	11,049,591	-	11,049,591	11,049,591
	90,844,740	**-**	**90,844,740**	**88,692,694**

21 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 2017:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	21,800,196	-	-	21,800,196	21,794,974
Placements with banks and other financial institutions	6,109,035	-	-	6,109,035	6,109,035
Available-for-sale financial assets	-	9,234,246	-	9,234,246	9,234,246
Loans to customers	50,049,179	-	-	50,049,179	46,845,466
Other financial assets	4,119,868	-	-	4,119,868	4,119,868
	82,078,278	**9,234,246**	**-**	**91,312,524**	**86,166,394**
Debt securities issued	-	-	43,177,214	43,177,214	41,130,180
Other borrowed funds	-	-	29,832,799	29,832,799	28,770,287
Other financial liabilities	-	-	8,953,388	8,953,388	8,953,388
	-	**-**	**81,963,401**	**81,963,401**	**78,853,855**

21 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 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 transfer of liabilities.

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

- discount rates of 8.2%-13.7% are used for discounting future cash flows from loans to customers (2017: 12.7% - 14.0%)
- discount rates of are 7.8%-7.9% used for discounting future cash flows from finance lease receivables (2017: 8.0% - 8.1%).

21 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 instrument.

The table below analyses financial instruments measured at fair value in the condensed interim statement of financial position as at 30 June 2018 and statement of financial position as at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Unaudited 30 June 2018 Level 2 KZT'000	31 December 2017 Level 2 KZT'000
Financial assets		
Investment securities measured at FVTPL	5,162,117	-
Available-for-sale financial assets	-	9,234,246
	5,162,117	**9,234,246**

As at 30 June 2018 and 31 December 2017 the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market inputs.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2018:

Unaudited KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	19,795,316	-	19,795,316	19,795,316
Placements with banks and other financial institutions	2,468,345	-	2,468,345	2,468,345
Investment securities measured at amortised cost	15,079,356	-	15,079,356	15,459,503
Loans to customers	42,263,577	2,676,122	44,939,699	50,080,810
Finance lease receivables	93,677,980	197,183	93,875,163	130,155,576
Liabilities				
Debt securities issued	48,081,107	-	48,081,107	49,467,017
Other borrowed funds	29,561,996	-	29,561,996	30,328,132

21 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 2017:

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	21,794,974	-	21,794,974	21,800,196
Placements with banks and other financial institutions	6,109,035	-	6,109,035	6,109,035
Loans to customers	46,158,183	687,283	46,845,466	50,049,179
Finance lease receivables	80,583,090	170,435	80,753,525	117,838,422
Liabilities				
Debt securities issued	41,130,180	-	41,130,180	43,177,214
Other borrowed funds	28,770,287	-	28,770,287	29,832,799

22 Capital management

	Unaudited 30 June 2018	2017 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	(65,034)	(21,711)
Statutory accumulated losses for prior periods	(11,386,748)	(12,805,108)
Total tier 1 capital	**57,834,460**	**56,459,423**
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	-	(1,366,764)
Net profit for the current year in accordance with NBRK	2,739,029	3,695,123
Total tier 2 capital	**2,739,029**	**2,328,359**
Total capital	**60,573,488**	**58,787,782**
Total statutory assets	258,339,291	250,484,945
Credit risk weighted assets and contingent liabilities	237,441,234	235,980,230
Operational risk	6,772,035	6,772,035
Total credit risk weighted assets and contingent liabilities plus operational risk	244,213,269	242,752,265
K1 ratio	**22%**	**23%**
K1-2 ratio	**24%**	**24%**
K1-3 ratio	**25%**	**24%**

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

22 Capital management, continued

As at 30 June 2018 and 31 December 2017 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%;
- k1-2 – 6%;
- k1-3 – 12%.

23 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.

24 Subsequent events

On 23 July 2018, the Company paid dividends on its ordinary shares to the sole shareholder in the amount of KZT 1,108,575 thousand (Note 17).