Baiterek National Managing Holding Joint Stock Company

Unaudited Condensed Consolidated Interim Financial Statements

30 June 2018

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KPMG

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Shareholder and Board of Directors of Baiterek National Managing Holding Joint Stock Company

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Baiterek National Managing Holding Joint Stock Company (the "Holding Company") and its subsidiaries (the "Holding") as at 30 June 2018, and the related condensed consolidated 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 consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated 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 consolidated 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 consolidated 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*.

Ravshan Irmatov

Authorised representative (Partner)

KPMG Audit LLC

Almaty, Republic of Kazakhstan

29 August 2018

(In thousands of Kazakhstani Tenge)	Note	30 June 2018, unaudited	31 December 2017*
ASSETS			
Cash and cash equivalents	6	619,116,656	672,098,266
Other financial instruments at fair value through profit or loss	7	85,669,097	147,403,945
Loans to banks and financial institutions	8	295,164,183	284,059,767
Deposits	9	170,970,829	196,098,624
Loans to customers	10	2,169,244,077	2,040,393,563
Investment securities	11	677,488,805	561,438,865
Finance lease receivables	12	255,012,439	230,652,747
Investment in associates and joint ventures		1,934,687	1,834,289
Investment property		7,654,682	12,311,523
Current income tax prepayment		21,385,343	24,073,618
Deferred income tax asset		4,321,597	4,347,437
Property, plant and equipment		14,167,709	10,072,850
Intangible assets		3,806,948	3,873,654
Non-current assets held for sale	13	39,843,640	30,021,009
Other financial assets		30,350,947	28,711,793
Other assets	14	139,940,478	185,163,395
TOTAL ASSETS		**4,536,072,117**	**4,432,555,345**
LIABILITIES			
Customer accounts	15	576,401,811	539,309,735
Debt securities issued	16	1,243,465,189	1,125,979,806
Subordinated debt		5,864,338	5,381,557
Loans from banks and other financial institutions	17	926,810,968	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	18	207,981,907	180,029,399
Current income tax liability		4,904,154	877
Deferred income tax liability		22,566,564	28,421,885
Insurance contract provisions		3,666,092	2,753,547
Liabilities directly associated with disposal groups held for sale		25,751	22,445
Other financial liabilities	19	63,625,105	40,245,511
Other liabilities	20	419,542,031	448,371,440
TOTAL LIABILITIES		**3,474,853,910**	**3,380,704,841**
EQUITY			
Share capital	21	846,218,712	846,218,712
Securities fair value reserve		(12,764,428)	(12,562,781)
Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"		500,523	914,412
Foreign currency translation reserve		3,938,195	3,780,435
Business combination reserve and additional paid-in capital		123,880,653	108,407,533
Other reserves		6,676,920	7,169,251
Retained earnings		92,649,550	97,231,129
Net assets attributable to the Holding's owners		**1,061,100,125**	**1,051,158,691**
Non-controlling interests		**118,082**	**691,813**
TOTAL EQUITY		**1,061,218,207**	**1,051,850,504**
TOTAL LIABILITIES AND EQUITY		**4,536,072,117**	**4,432,555,345**

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

Approved for issue and signed by Management on 29 August 2018:

Yersain Yerbulatovich Khamitov
Managing Director -
Member of the Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

The notes set out on pages 8 to 64 form an integral part of these condensed consolidated interim financial statements.

(In thousands of Kazakhstani Tenge)	**Note**	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017*, unaudited**
Interest income calculated using the effective interest method	22	129,121,632	134,717,473
Other interest income	22	15,731,661	8,916,785
Interest expense	22	(74,671,206)	(69,513,832)
Net interest income	22	**70,182,087**	**74,120,426**
Provision for loan portfolio impairment	10	(9,637,915)	(20,005,936)
Net interest income after provision for loan portfolio impairment		**60,544,172**	**54,114,490**
Fee and commission income		2,402,307	2,186,109
Fee and commission expense		(1,954,346)	(1,388,062)
Net fee and commission income		**447,961**	**798,047**
Net loss on financial instruments at fair value through profit or loss	23	(708,899)	(17,512,971)
Net foreign exchange gain	24	2,787,537	6,041,975
Net gain on financial assets at fair value through other comprehensive income		300,951	935,498
Net insurance premiums earned		469,251	316,337
Net insurance reimbursements incurred and changes in insurance contract provisions		(298,181)	(174,586)
Other operating income, net	25	337,978	6,116,877
Operating income		**63,880,770**	**50,635,667**
Recovery/(provision) for impairment of other financial assets and credit related commitments	26	247,000	(8,652,316)
Administrative expenses	27	(19,400,567)	(17,451,826)
Share of financial result of associates and joint ventures		9,298	(79,622)
Profit before income tax		**44,736,501**	**24,451,903**
Income tax expense	28	(8,464,015)	(3,670,487)
PROFIT FOR THE PERIOD		**36,272,486**	**20,781,416**
Profit/(loss) attributable to:			
- owners of the Holding		36,277,277	20,791,997
- non-controlling interests		(4,791)	(10,581)
PROFIT FOR THE PERIOD		**36,272,486**	**20,781,416**

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

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017*, unaudited**
PROFIT FOR THE PERIOD	**36,272,486**	**20,781,416**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Securities fair value reserve:		
- Net change in fair value	(4,581,257)	9,804,088
- Net change in fair value transferred to profit or loss	(306,702)	(935,498)
Translation of financial information of foreign operations to presentation currency	157,760	(1,183,049)
Amortisation of revaluation reserve for “investment securities available for sale” reclassified to “loans to customers”	(413,889)	(713,084)
Unrealised gains less losses on hedging	-	82,688
Other comprehensive (loss)/income for the period	**(5,144,088)**	**7,055,145**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**31,128,398**	**27,836,561**
Total comprehensive income/(loss) attributable to:		
- owners of the Holding	31,133,189	27,847,142
- non-controlling interests	(4,791)	(10,581)
Total comprehensive income for the period	**31,128,398**	**27,836,561**

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

	Attributable to owners of the Holding										
(In thousands of Kazakhstani Tenge)	**Share capital**	**Revaluation reserve for investment securities available for sale**	**Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"**	**Foreign currency translation reserve**	**Hedging reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2017	**802,318,712**	**(31,765,335)**	**2,931,319**	**4,663,739**	**(6,673)**	**102,742,890**	**24,869,011**	**36,820,284**	**942,573,947**	**822,683**	**943,396,630**
Profit for the period, unaudited	-	-	-	-	-	-	-	20,791,997	20,791,997	(10,581)	20,781,416
Other comprehensive income, unaudited	-	8,868,590	(713,084)	(1,183,049)	82,688	-	-	-	7,055,145	-	7,055,145
Total comprehensive income for the period, unaudited	**-**	**8,868,590**	**(713,084)**	**(1,183,049)**	**82,688**	**-**	**-**	**20,791,997**	**27,847,142**	**(10,581)**	**27,836,561**
Share issue – cash contribution (Note 21)	13,900,000	-	-	-	-	-	-	-	13,900,000	-	13,900,000
Recognition of discount on loans from the Government of the Republic of Kazakhstan, less taxes of Tenge 1,421,754 thousand (Note 20)	-	-	-	-	-	5,687,018	-	-	5,687,018	-	5,687,018
Transfers and other movements, unaudited	-	-	-	-	-	-	(152,700)	-	(152,700)	-	(152,700)
Balance at 30 June 2017, unaudited	**816,218,712**	**(22,896,745)**	**2,218,235**	**3,480,690**	**76,015**	**108,429,908**	**24,716,311**	**57,612,281**	**989,855,407**	**812,102**	**990,667,509**

The notes set out on pages 8 to 64 form an integral part of these condensed consolidated interim financial statements.

(In thousands of Kazakhstani Tenge)	Share capital	Securities fair value reserve	Revaluation reserve for financial assets reclassified from "investment securities at fair value through other comprehensive income" to "loans to customers"	Foreign currency translation reserve	Business combination reserve and additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2018	**846,218,712**	**(12,562,781)**	**914,412**	**3,780,435**	**108,407,533**	**7,169,251**	**97,231,129**	**1,051,158,691**	**691,813**	**1,051,850,504**
Impact of adopting IFRS 9 as at 1 January 2018 (see Note 5)*, unaudited*	-	4,686,312	-	-	-	-	(41,351,187)	(36,664,875)	-	(36,664,875)
Restated balance as at 1 January 2018, unaudited	**846,218,712**	**(7,876,469)**	**914,412**	**3,780,435**	**108,407,533**	**7,169,251**	**55,879,942**	**1,014,493,816**	**691,813**	**1,015,185,629**
Profit for the period, unaudited	-	-	-	-	-	-	36,277,277	36,277,277	(4,791)	36,272,486
Other comprehensive income, unaudited	-	(4,887,959)	(413,889)	157,760	-	-	-	(5,144,088)	-	(5,144,088)
Total comprehensive income for the period, unaudited	**-**	**(4,887,959)**	**(413,889)**	**157,760**	**-**	**-**	**36,277,277**	**31,133,189**	**(4,791)**	**31,128,398**
Recognition of discount on loans from the Government of the Republic of Kazakhstan, less taxes of Tenge 3,868,282 thousand (Note 18)	-	-	-	-	15,473,120	-	-	15,473,120	-	15,473,120
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	(568,940)	(568,940)
Transfers and other movements, unaudited	-	-	-	-	-	(492,331)	492,331	-	-	-
Balance at 30 June 2018, unaudited	**846,218,712**	**(12,764,428)**	**500,523**	**3,938,195**	**123,880,653**	**6,676,920**	**92,649,550**	**1,061,100,125**	**118,082**	**1,061,218,207**

*The Holding has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Notes 3 and 5).

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Cash flows from operating activities		
Interest received	121,428,049	119,406,979
Interest paid	(51,370,349)	(53,081,947)
Fee and commission receipts	3,188,444	2,442,950
Fee and commission payments	(4,119,542)	(4,232,217)
Receipts on operations with financial instruments at fair value through profit or loss	637,877	351,952
Net foreign exchange dealing gain/(loss)	452,435	(879,772)
Net insurance premiums receipts	413,130	309,403
Net insurance claims reimbursements	(107,204)	(35,870)
Other operating income received	2,782,662	1,101,325
Administrative and other operating expenses paid	(21,772,812)	(16,892,099)
Income tax paid	(2,736,720)	(4,606,102)
Cash flows from operating activities before changes in operating assets and liabilities	**48,795,970**	**43,884,602**
Net (increase)/decrease in:		
- other financial instruments at fair value through profit or loss	51,671,239	(3,694,093)
- loans to banks and financial institutions	(18,722,094)	140,542,797
- deposits	23,825,346	29,261,576
- loans to customers	(142,050,714)	(134,197,399)
- finance lease receivables	8,015,672	9,370,812
- other financial assets	771,361	338,784
- other assets	(16,952,834)	(2,290,358)
Net increase/(decrease) in:		
- customer accounts	27,376,293	30,775,549
- other financial liabilities	9,027,129	2,152,196
- other liabilities	25,155,874	3,729,346
Net cash from operating activities	**16,913,242**	**119,873,812**
Cash flows from investing activities		
Acquisition of investment securities	(239,233,571)	(165,221,140)
Proceeds from disposal and redemption of investment securities	124,240,079	47,023,607
Acquisition of property, equipment and intangible assets	(8,030,973)	(1,026,110)
Proceeds from disposal of property, plant and equipment, intangible assets	60,100	7,704
Proceeds from disposal of investment property	7,000	-
Proceeds from disposal of associates and joint ventures	127,074	48,111
Dividends received	3,986,912	820,655
Net cash used in investing activities	**(118,843,379)**	**(118,347,173)**

The notes set out on pages 8 to 64 form an integral part of these condensed consolidated interim financial statements.

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Cash flows from financing activities		
Receipts of loans from banks and other financial institutions	105,630,949	11,648,407
Repayment of loans from banks and other financial institutions	(203,029,597)	(134,921,554)
Receipts of loans from the Government of the Republic of Kazakhstan	46,884,305	128,049,660
Repayment of loans from the Government of the Republic of Kazakhstan	(2,087,628)	(740,132)
Proceeds from debt securities issued	100,465,392	53,887,655
Repayment/repurchase of debt securities issued	-	(95,137,514)
Repayment of subordinated debt	-	(10,000,000)
Proceeds from placement of ordinary shares	-	13,900,000
Net cash from/(used) in financing activities	**47,863,421**	**(33,313,478)**
Effect of changes in exchange rates on cash and cash equivalents	1,698,753	4,764,451
Effect of movements in impairment allowance on cash and cash equivalents	(613,647)	-
Net decrease in cash and cash equivalents	**(52,981,610)**	**(27,022,388)**
Cash and cash equivalents at the beginning of the period	672,098,266	451,512,099
Cash and cash equivalents at the end of the period (Note 6)	**619,116,656**	**424,489,711**

The notes set out on pages 8 to 64 form an integral part of these condensed consolidated interim financial statements.

1 Introduction

These condensed consolidated interim financial statements comprise the financial statements of Baiterek National Managing Holding Joint Stock Company (the “Holding Company”) and its subsidiaries (the “Holding”).

The Holding was incorporated in accordance with the Decree No.571 dated 22 May 2013 of the President of the Republic of Kazakhstan “On some measures for optimisation of the system of management of the development institutions and financial organisations and development of the national economy” and Decree No.516 dated 25 May 2013 of the Government of the Republic of Kazakhstan “On measures for implementation of the Decree No. 571 dated 22 May 2013 of the President of the Republic of Kazakhstan”. As at 30 June 2018 and 31 December 2017, the ultimate controlling party of the Holding is the Government of the Republic of Kazakhstan.

Principal activity

The Holding Company’s mission is to provide the financial and investment support to non-commodity sector, ensure sustainable development and diversification of the national economy, attract investments, develop the clusters and improve the corporate governance system in its subsidiaries.

The Holding is actively involved in completing national strategic and social tasks through development institutions through the implementation of the “Nurly-Zhol” State Program for Infrastructure Development in 2015-2019, State Program of the Industrial and Innovative Development of the Republic of Kazakhstan in 2015-2019, Unified Program for Business Support and Development “Business Road Map – 2020”, State Program “Performance - 2020”, State Program for Development of Regions until 2020, State Program for Support of Domestic Producers, State Program for Financing of Small and Medium Businesses in the Manufacturing Industry, State Program “Leaders of Competitiveness - National Champions”, and National Plan “100 Specific Steps”.

The Holding’s main objectives and targets are as follows:

- introduction of an efficient risk management system;
- increase of transparency and population’s confidence in the economy;
- provision of synergies from subsidiaries’ activities;
- increase of economic efficiency of subsidiaries’ activity / break-even principle;
- attraction of additional investments;
- interaction with the private sector.

The Holding’s structure comprises eleven subsidiaries engaged in the implementation of state policy and state programs having the following directions of activity pursuant to the Holding’s strategy:

- Development institutions include the Development Bank of Kazakhstan JSC, Investment Fund of Kazakhstan JSC, Export Insurance Company “KazakhExport” JSC, Damu Entrepreneurship Development Fund JSC, National Agency for Technological Development JSC and Kazyna Capital Management JSC. The aim of these institutions is to provide credit, investment and other financial and non-financial support to investment projects in priority sectors of economy directed to diversify the economy and development of the secondary sector, export of Kazakhstani products, development of innovations and development of small and medium sized business.

- Financial institutions include Housing Construction Savings Bank of Kazakhstan JSC, Mortgage Organisation Kazakhstan Mortgage Company JSC and Housing Construction Guarantee Fund JSC. The aim of these institutions is to provide, attract and decrease the cost of long-term financing for mortgages and participation in the implementation of state residential and construction policies.

- Baiterek Development JSC, an institution established to support entrepreneurs in the processing industry and improve the issues of the real estate market that have arisen from 2008-2010 financial crisis.

- Kazakhstan Project Preparation Fund LLP, an institution established to structure and support infrastructure projects, including public-private partnership projects.

1 Introduction, continued

Below are major subsidiaries included into these condensed consolidated interim financial statements of the Holding:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 30 June 2018, unaudited	Ownership, % 31 December 2017
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00	100.00
KazakhExport Export Insurance Company JSC	KE JSC	Republic of Kazakhstan	100.00	100.00
DAMU Entrepreneurship Development Fund JSC	DAMU JSC	Republic of Kazakhstan	100.00	100.00
National Agency for Technological Development JSC	NATD JSC	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	HCSBK JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Organisation Kazakhstan Mortgage Company JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Guarantee Fund JSC	HCGF JSC	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Project Preparation Fund LLP	KPPF LLP	Republic of Kazakhstan	97.70	97.70

Registered address and place of business. The Holding's legal address and actual place of business is: 55a Mangilik Yel Avenue, Yessil district, Astana, Republic of Kazakhstan.

Economic Environment of the Holding

The Holding's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding is exposed to the economic and financial markets of the Republic of Kazakhstan, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue its 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 consolidated interim financial statements reflect management's assessment of the impact of the Republic of Kazakhstan business environment on the operations and the consolidated financial position of the Holding. The future business environment may differ from the management's assessment.

2 Basis of Preparation

Statement of compliance. The accompanying condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 *Interim Financial Reporting*. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Holding as at and for the year ended 31 December 2017, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

This is the first set of the Holding's condensed consolidated interim financial statements where IFRS 9 have been applied. Changes to significant accounting policies are described below and in Note 3.

Basis of measurement. The condensed consolidated interim financial statements are prepared on the historical cost basis except that financial assets at fair value through other comprehensive income, investment securities measured at fair value through other comprehensive income, investment securities measured at fair value through profit or loss (2017: available-for-sale) and derivative financial instruments are stated at fair value.

Functional and presentation currency. The functional currency of the Holding is the Kazakhstani tenge ("Tenge") 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 the Holding.

Tenge is also the presentation currency for the purposes of these condensed consolidated interim financial statements.

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

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

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

2 Basis of Preparation, continued

Use of estimates and judgments, continued

In preparing these condensed consolidated interim financial statements the significant judgments made by management in applying the Holding's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Holding's consolidated financial statements for the year ended 31 December 2017, except for the areas described below.

Judgments

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

- Classification of financial assets: assessment of a business model within which the financial assets are held, and of whether the assets' contractual terms give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding - Note 3.

Assumptions and estimations uncertainty

Information about significant assumptions and estimation uncertainties in the condensed consolidated interim financial statements for the six months 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.

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 Holding 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 Holding's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. 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 Holding classifies financial assets under IFRS 9 (see Note 3).

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 Holding classifies financial liabilities under IFRS 9 (see Note 3 (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 Holding applies the impairment requirements of IFRS 9 (see Note 3 (iv)).

2 Basis of Preparation, continued

Changes in accounting policies and presentation, continued.

IFRS 9 Financial instruments, continued

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.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Holding 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.

Changes in presentation. Comparative information is reclassified to conform to changes in presentation of the condensed consolidated interim financial statements in the current period. In the course of preparation of the consolidated financial statements of the Holding for the year ended 31 December 2017, management made certain classifications which affected comparative information, for the purpose of presentation of the condensed consolidated interim financial statements for the six-month period ended 30 June 2018.

(In thousands of Kazakhstani Tenge)	**As previously reported**	**Reclassification**	**As reclassified**
Consolidated statement of financial position as at 31 December 2017			
Other assets	197,017,038	(11,853,643)	185,163,395
Non-current assets held for sale	18,167,366	11,853,643	30,021,009
Due from banks	480,158,391	(480,158,391)	-
Loans to banks and financial institutions	-	284,059,767	284,059,767
Deposits	-	196,098,624	196,098,624

3 Significant Accounting Policies

The accounting policies applied by the Holding in these condensed consolidated interim financial statements are consistent with those applied by the Holding in the consolidated financial statements for the year ended 31 December 2017, except as explained below, related to the Holding's adoption of IFRS 9, which is applicable from 1 January 2018.

Interest income and expense

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 Holding 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.

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3 Significant Accounting Policies, continued

Interest income and expense, continued

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.

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 Financial assets and financial liabilities 3 (*iv*).

Presentation. Interest income and expense presented in the condensed consolidated interim 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.

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.

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

3 Significant Accounting Policies, continued

Financial assets and financial liabilities, continued

(i) Classification, continued

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 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 Holding 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.

Business model assessment. The Holding 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 Holding'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 Holding'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 Holding 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 Holding considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Holding'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 Holding changes its business model for managing financial assets. The Holding should reclassify financial assets if the Holding changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Holding's senior management as a result of external or internal changes and must be significant to the Holding's operations and demonstrable to external parties. Accordingly, a change in the Holding's business model will occur only when the Holding either begins or ceases to perform an activity that is significant to its operations; for example, when the Holding has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

3 Significant Accounting Policies, continued

Financial assets and financial liabilities, continued

(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 Financial assets and financial liabilities (i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Holding 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 Holding 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, e.g. changes in interest rates initiated by the Holding due to changes in the NBRK key rate, if the loan contract entitles the Holding to do so.

The Holding 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 Holding 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 Holding analogizes to the guidance on the derecognition of financial liabilities.

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 Holding 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, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Holding 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 Holding renegotiates loans issued in financial difficulties (referred to as 'forbearance activities'). If the Holding 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 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 Holding concludes that modification of financial assets modified as part of the Holding's forbearance policy is not substantial, the Holding performs qualitative evaluation of whether the modification is substantial.

Financial liabilities. The Holding 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 Holding 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 Holding 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).

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

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

3 Significant Accounting Policies, continued

Financial assets and financial liabilities, continued

(iii) Modification of financial assets and financial liabilities, continued

Financial liabilities, continued

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 Holding 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;
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Holding 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 (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (Note 4).

The Holding 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 Holding 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 Holding if the commitment is drawn down and the cash flows that the Holding expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Holding expects to recover.

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 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 (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.

3 Significant Accounting Policies, continued

Financial assets and financial liabilities, continued

(iv) Impairment, continued

Credit-impaired financial assets. At each reporting date, the Holding 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 Holding on terms that the Holding 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 making an assessment of whether an investment in sovereign debt is credit-impaired, the Holding 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.

Presentation of allowance for ECL in the condensed consolidated interim statement of financial position. Loss allowances for ECL are presented in the condensed consolidated interim 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 Holding cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Holding 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 consolidated interim 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 Holding 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 Holding's procedures for recovery of amounts due.

3 Significant Accounting Policies, continued

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Holding 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.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

Loans to customers

‘Loans to customers’ caption in the condensed consolidated interim statement of financial position include:

- loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion; these are measured at fair value with changes recognised immediately in profit or loss.

Investment securities

The ‘investment securities’ caption in the condensed consolidated interim statement of financial position includes:

- debt investment securities measured at amortised cost; 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; these are at fair value with changes recognised immediately in profit or loss;
- debt investment securities measured at FVOCI.

Financial guarantees and loan commitments

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

For other loan commitments the Holding recognises loss allowance.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Comparative information

As a result of adoption of IFRS 9 the Holding changed presentation of certain captions in the primary forms of the condensed consolidated 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 consolidated interim statement of financial position is disclosed in Note 5.

The effect of main changes in presentation of the condensed consolidated interim statement of financial position as at 1 January 2018 as follows:

- “Investment securities available for sale” were presented within “Investment securities” line item.

The effect of main changes in presentation of the condensed consolidated interim 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.

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 Holding has not early adopted the following new or amended standards in the preparing these condensed consolidated interim financial statements.

The Holding 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 Holding’s condensed consolidated interim financial information.

4 Financial Risk Review

This note presents information about the Holding's exposure to financial risks. For information on the Holding's financial risk management framework see Note 35 in the consolidated financial statements of the Holding as at and for the year ended 31 December 2017.

Credit risk - Amounts arising from ECL

Significant increase in credit risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Holding 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 Holding'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.

Credit risk grades. The Holding 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 counterparty. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

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.

- Information obtained during periodic review of counterparty 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 for the issuer where available;
- Existing and forecast changes in business, financial and economic conditions;
- Actual and expected significant changes in the political, regulatory and technological environment of the counterparty 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 Holding 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. For some portfolios, information purchased from external credit reference agencies is also used.

The Holding 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 changes in the unemployment rate and other macroeconomic factors, analysis of which will enable to assess in an unbiased manner correlation with deterioration of financial and economic condition of a counterparty. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

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.

The Holding will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Holding's modelling, it is established that objective factors involving the deterioration of financial and economic condition of a counterparty are observed. In measuring increases in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

As a backstop, the Holding 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.

The Holding monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- there is no unwarranted volatility in loss allowance from transfers between stages.

4 Financial Risk Review, continued

Credit risk - Amounts arising from ECL, continued

Modified financial assets. The contractual terms of a financial instrument may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policy set out in Note 3 (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 Holding renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Holding's forbearance policy, loan forbearance is granted on a selective basis if the counterparty 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.

For financial assets modified as part of the Holding's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Holding's ability to collect interest and principal and the Holding's previous experience of similar forbearance action. As part of this process, the Holding evaluates the counterparty'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 (Note 3 (iv))/in default. A counterparty 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 loss allowance reverts to being measured at an amount equal to 12-month ECL or life-time ECL subject to a determined stage.

Definition of default. The Holding considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Holding in full, without recourse by the Holding to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Holding.

In assessing whether a borrower is in default, the Holding considers qualitative, e.g. breaches of covenants, quantitative indicators, e.g. overdue status and non-payment on another obligation of the same issuer to the Holding, and other 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 Holding 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 Holding 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 Holding operates, such as the National Bank of the Republic of Kazakhstan and Statistics Committee of the Republic of Kazakhstan.

The Holding will also periodically carry out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Holding has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. GDP growth forecasts were defined by the Holding as a key driver.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on data from external provider.

Measurement of ECLs. 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.

4 Financial Risk Review, continued

Credit risk - Amounts arising from ECL, continued

Measurement of ECLs, continued

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. 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 Holding estimates LGD parameters based on the collateral structure data, type of a counterparty/pledgor and external rating of the counterparty/pledgor. 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. 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.

To ensure adequate evaluation of loss given default amounts, the Holding also considers the following LGD categories:

- LGD is equal to 0%, if a counterparty is the Government of the Republic of Kazakhstan;
- LGD is equal to 70%, if a counterparty is the Kazakhstani bank and other financial institute;
- with regard to other counterparties, LGD is estimated based on Moody's recovery studies according to the counterparty's external rating. LGD estimates are recalibrated following the publication of the studies update (generally, on an annual basis).

Exposure at default (EAD) represents the expected exposure in the event of a default. The Holding 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. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

		External benchmarks used	
(In thousands of Kazakhstani Tenge)	**An exposure as at 30 June 2018**	**PD**	**LGD**
Cash and cash equivalents	619,116,656	S&P/ Moody's default study	S&P/Moody's recovery studies/ for exposures within Kazakhstan, LGD is based on historical recovery studies of defaulted financial institutions.
Loans to banks and financial institutions	295,164,183		
Deposits	170,970,829		
Investment securities	539,964,603		

4 Financial Risk Review, continued

Credit quality analysis. The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments 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. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(In thousands of Kazakhstani Tenge)	Unaudited 30 June 2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Cash and cash equivalents				
Cash on hand	1,681,795	-	-	1,681,795
NBRK	136,774,283	-	-	136,774,283
- rated from AA- to AA+	14,287,661	-	-	14,287,661
- rated from A- to A+	111,872,378	-	-	111,872,378
- rated from BB- to BB+	130,713,031	-	-	130,713,031
- rated from B- to B+	22,938,574	-	-	22,938,574
- rated from CCC- to CCC+	25,401	-	-	25,401
- D rated	-	-	2,141,051	2,141,051
- not rated	5,030,956	-	581,226	5,612,182
Receivables under reverse repurchase agreements with original maturities of less than three months	195,922,879	-	-	195,922,879
	619,246,958	-	**2,722,277**	**621,969,235**
Loss allowance	(130,302)	-	(2,722,277)	(2,852,579)
Total cash and cash equivalents	**619,116,656**	-	**-**	**619,116,656**
Deposits				
- rated from BB- to BB+	83,773,944	-	59,349	83,833,293
- rated from B- to B+	89,281,673	-	-	89,281,673
- D rated	-	-	15,850,864	15,850,864
	173,055,617	**-**	**15,910,213**	**188,965,830**
Loss allowance	(2,085,900)	-	(15,909,101)	(17,995,001)
Total deposits	**170,969,717**	**-**	**1,112**	**170,970,829**
Loans to banks and financial institutions				
- rated from BB- to BB+	106,179,141	-	-	106,179,141
- rated from B- to B+	178,955,143	6,516,477	5,589,683	191,061,303
- D rated	-	-	18,991,491	18,991,491
- not rated	4,761,569	952,436	369,938	6,083,943
	289,895,853	**7,468,913**	**24,951,112**	**322,315,878**
Loss allowance	(5,070,052)	(2,739,563)	(19,342,080)	(27,151,695)
Total loans to banks and financial institutions	**284,825,801**	**4,729,350**	**5,609,032**	**295,164,183**
Loans to customers at amortised cost				
- not overdue	1,555,983,814	527,386,901	74,800,537	2,158,171,252
- overdue more than 180 days and less than 1 year	5,752,786	4,945,518	21,109,275	31,807,579
- overdue more than 1 year	1,757	-	44,170,929	44,172,686
	1,561,738,357	**532,332,419**	**140,080,741**	**2,234,151,517**
Loss allowance	(7,463,473)	(34,726,840)	(65,456,660)	(107,646,973)
Total loans to customers at amortised cost	**1,554,274,884**	**497,605,579**	**74,624,081**	**2,126,504,544**
Finance lease receivables (except for embedded derivative)				
- not overdue	219,353,860	649,988	2,873,570	222,877,418
- overdue less than 30 days	20,503,613	147,563	1,124,767	21,775,943
- overdue 30-89 days	74,658	2,929,996	13,485,623	16,490,277
- overdue 90-360 days	-	7,952	619,751	627,703
- overdue more than 360 days	-	-	1,918,119	1,918,119
	239,932,131	**3,735,499**	**20,021,830**	**263,689,460**
Loss allowance	(3,641,192)	(332,335)	(7,952,930)	(11,926,457)
Total finance lease receivables (except for embedded derivative)	**236,290,939**	**3,403,164**	**12,068,900**	**251,763,003**

4 Financial Risk Review, continued

Credit quality analysis, continued

(In thousands of Kazakhstani Tenge)	**Unaudited 30 June 2018** Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Investment securities at FVOCI				
- rated from AA- to AA+	241,650	-	-	241,650
- rated from BBB- to BBB+	340,487,919	-	-	340,487,919
- rated from BB- to BB+	55,595,402	-	-	55,595,402
- rated from B- to B+	6,424,485	797,438	-	7,221,923
- not rated	13,022,796	-	-	13,022,796
Total investment securities at FVOCI	**415,772,252**	**797,438**	**-**	**416,569,690**
Investment securities at amortised cost				
- rated from BBB- to BBB+	104,866,732	-	-	104,866,732
- rated from BB- to BB+	5,864,338	-	-	5,864,338
- rated from B- to B+	11,664,384	-	-	11,664,384
- not rated	1,028,418	-	2,611,882	3,640,300
	123,423,872	**-**	**2,611,882**	**126,035,754**
Loss allowance	(28,959)	-	(2,611,882)	(2,640,841)
Total investment securities at amortised cost	**123,394,913**	**-**	**-**	**123,394,913**
Other financial assets	30,113,929	2,213,826	865,050	33,192,805
Loss allowance	(2,288,697)	(63,169)	(489,992)	(2,841,858)
Total other financial assets	**27,825,232**	**2,150,657**	**375,058**	**30,350,947**
Loan commitments	**222,399,605**	**5,000,000**	**5,971,563**	**233,371,168**
Loss allowance	**(2,429,624)**	**-**	**(2,826,365)**	**(5,255,989)**

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 Holding's financial assets and financial liabilities as at 1 January 2018.

(In thousands of Kazakhstani Tenge)	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	6	Loans and receivables	Amortised cost	672,098,266	-	(175,654)	671,922,612
Other financial instruments at fair value through profit or loss	7	FVTPL (mandatory)	FVTPL (mandatory)	147,403,945	(2,343,360)	-	145,060,585
Loans to banks and financial institutes	8	Loans and receivables	Amortised cost	284,059,767	-	(5,405,945)	278,653,822
Deposits	9	Loans and receivables	Amortised cost	196,098,624	-	(3,122,652)	192,975,972
Loans to customers	10	Loans and receivables	Amortised cost	2,040,393,563	(33,354,636)	(15,562,764)	1,991,476,163
Loans to customers (a)	10	Loans and receivables	FVTPL (mandatory)	-	33,354,636	(16,203,888)	17,150,748
Investment securities (b)	11	Available for sale	FVOCI	561,438,865	(176,803,513)	(78,470)	384,556,882
Investment securities (c)	11	Available for sale	Amortised cost	-	65,654,349	2,056,340	67,710,689
Investment securities (d)	11	Available for sale	FVTPL (mandatory)	-	113,492,524	-	113,492,524
Finance lease receivables	12	Loans and receivables	Amortised cost	230,652,747	-	(953,660)	229,699,087
Other financial assets		Loans and receivables	Amortised cost	28,711,793	-	(752,203)	27,959,590
Total financial assets				**4,160,857,570**	**-**	**(40,198,896)**	**4,120,658,674**
Financial liabilities							
Customer accounts	15	Amortised cost	Amortised cost	539,309,735	-	-	539,309,735
Debt securities issued	16	Amortised cost	Amortised cost	1,125,979,806	-	-	1,125,979,806
Subordinated debt		Amortised cost	Amortised cost	5,381,557	-	-	5,381,557
Loans from banks and other financial institutions	17	Amortised cost	Amortised cost	1,010,188,639	-	-	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	18	Amortised cost	Amortised cost	180,029,399	-	-	180,029,399
Other financial liabilities	19	Amortised cost	Amortised cost	40,245,511	-	2,961,815	43,207,326
Total financial liabilities				**2,901,134,647**	**-**	**2,961,815**	**2,904,096,462**

a Certain loans to customers 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 Holding in separate portfolios to meet everyday liquidity needs. The Holding seeks to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The Holding considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

c Certain debt securities are held by the Holding 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 Holding 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.

d Certain asset-backed securities have contractual cash flows that are not solely payments of principal and interest. These assets are therefore measured at FVTPL under IFRS 9.

5 Transition to IFRS 9, continued

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

(In thousands of Kazakhstani Tenge)	**Impact of adopting IFRS 9 at 1 January 2018**
Securities fair value reserve	
Opening balance under IAS 39 (31 December 2017)	**(12,562,781)**
Reclassification of investment securities from available-for-sale to amortised cost	2,458,927
Reclassification of debt investment securities from available-for-sale to FVTPL	1,773,503
Recognition of expected credit losses under IFRS 9 for debt investment securities at FVOCI	453,882
Opening balance under IFRS 9 (1 January 2018)	**(7,876,469)**
Retained earnings	
Opening balance under IAS 39 (31 December 2017)	97,231,129
Remeasurement due to reclassification of debt investment securities from available-for-sale to FVTPL	(1,773,503)
Remeasurement due to reclassification of loans to customers from loans and receivables to FVTPL	(16,334,131)
Recognition of expected credit losses under IFRS 9 (including placements with banks and other financial institutions, loans to banks, loans to customers, financial lease receivables and other assets)	(23,243,553)
Opening balance under IFRS 9 (1 January 2018)	**55,879,942**

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.

(In thousands of Kazakhstani Tenge)	**Impairment allowance and provisions**			
	31 December 2017 (IAS 39/IAS 37)	**Reclassification**	**Remeasurement**	**1 January 2018 (IFRS 9)**
Loans and receivables and held to maturity securities under IAS 39/financial assets at amortised cost under IFRS 9 (including placements with banks and other financial institutions, loans to banks, loans to customers, financial lease receivables and other assets)	(238,228,648)	-	(25,849,123)	(264,077,771)
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	-	(2,592,245)	(101,747)	(2,693,992)
Total measured at amortised cost	**(238,228,648)**	**(2,592,245)**	**(25,950,870)**	**(266,771,763)**
Debt investment securities available for sale under IAS 39/debt investment securities measured at fair value through other comprehensive income under IFRS 9	(6,694,663)	6,694,663	(453,882)	(453,882)
Total measured at fair value through other comprehensive income	**(6,694,663)**	**6,694,663**	**(453,882)**	**(453,882)**
Available-for-sale debt investment securities under IAS 39/debt investment securities at FVTPL under IFRS 9	(437,743)	437,743	-	-
Total measured at fair value through profit or loss	**(437,743)**	**437,743**	**-**	**-**
Loan commitments and financial guarantee contracts issued	(1,678,847)	-	(2,961,815)	(4,640,662)

6 Cash and Cash Equivalents

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Receivables under reverse repurchase agreements with original maturities of less than three months	195,922,879	167,868,187
Correspondent accounts and overnight placements with other banks	182,442,095	201,921,328
Current accounts	105,148,183	110,380,696
Cash balances with the NBRK	103,553,695	142,727,420
Notes of NBRK maturing within three months	29,497,201	45,112,914
Mandatory reserves with the NBRK	3,723,387	3,112,569
Cash on hand	1,681,795	3,116,197
Total cash and cash equivalents before impairment allowance	**621,969,235**	**674,239,311**
Less: impairment allowance	(2,852,579)	(2,141,045)
Total cash and cash equivalents	**619,116,656**	**672,098,266**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows as at 30 June 2018:

(In thousands of Kazakhstani Tenge)	**Cash balances with the NBRK, including mandatory reserves, unaudited**	**Current accounts, unaudited**	**NBRK notes, unaudited**	**Correspondent accounts and overnight placements with other banks, unaudited**	**Total, unaudited**
Neither past due nor impaired					
- NBRK	107,277,082	-	29,497,201	-	136,774,283
- AA- to AA+ rated	-	-	-	14,287,661	14,287,661
- A- to A+ rated	-	-	-	111,872,378	111,872,378
- BB- to BB+ rated	-	74,432,372	-	56,280,659	130,713,031
- B- to B+ rated	-	22,938,346	-	228	22,938,574
- CCC- to CCC+ rated	-	25,401	-	-	25,401
- D rated	-	2,141,051	-	-	2,141,051
- unrated	-	5,611,013	-	1,169	5,612,182
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**107,277,082**	**105,148,183**	**29,497,201**	**182,442,095**	**424,364,561**
Less: impairment allowance	(6,255)	(2,833,798)	(624)	(155)	(2,840,832)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**107,270,827**	**102,314,385**	**29,496,577**	**182,441,940**	**421,523,729**

6 Cash and Cash Equivalents, continued

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts**	**NBRK notes**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired					
- NBRK	145,839,989	-	45,112,914	-	190,952,903
- AA- to AA+ rated	-	-	-	40,191,509	40,191,509
- A- to A+ rated	-	-	-	83,494,464	83,494,464
- BB- to BB+ rated	-	66,174,465	-	78,206,564	144,381,029
- B- to B+ rated	-	36,379,171	-	28,791	36,407,962
- CCC- to CCC+ rated	-	13,454	-	-	13,454
- D rated	-	2,141,045	-	-	2,141,045
- unrated	-	5,672,561	-	-	5,672,561
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**145,839,989**	**110,380,696**	**45,112,914**	**201,921,328**	**503,254,927**
Less: impairment allowance	-	(2,141,045)	-	-	(2,141,045)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**145,839,989**	**108,239,651**	**45,112,914**	**201,921,328**	**501,113,882**

As at 30 June 2018 and 31 December 2017, the Holding entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements were treasury notes of the Ministry of Finance of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan. The carrying amount of those agreements and fair value of securities pledged amounted to Tenge 195,922,879 thousand and Tenge 201,113,067 thousand, respectively (unaudited) (31 December 2017: Tenge 167,868,187 thousand and KZT 169,235,334 thousand).

As at 30 June 2018, the Holding had one banks (unaudited) (31 December 2017: 1 bank) with aggregated cash and cash equivalent balances above 10.00% of equity. The gross value of this balance as at 30 June 2018 was Tenge 136,774,283 thousand (unaudited) (31 December 2017: Tenge 190,952,903 thousand) or 22.09% of the cash and cash equivalents (unaudited) (31 December 2017: 28.41%).

Currency risk and interest rate analysis of financial instruments at fair value through profit or loss is disclosed in Note 29. Information on financial instruments at fair value through profit or loss issued by related parties is disclosed in Note 34.

7 Other Financial Instruments at Fair Value through Profit or Loss

Derivative financial instruments. Derivative financial instruments comprise foreign currency swaps and cross-currency interest rate swaps with maturity in 2019-2020 (31 December 2017: in 2018-2020) measured at fair value (Note 32).

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Derivative financial instruments	26,780,342	73,807,033
Trading securities		
- Corporate bonds	-	2,343,360
Other financial instruments at fair value through profit or loss		
Debt instruments		
- Securities of the Ministry of Finance of the Republic of Kazakhstan	-	1,479,517
- Corporate bonds	-	1,179,806
Equity instruments		
- Investments in funds	58,888,755	68,594,229
Total other financial instruments at fair value through profit or loss	**85,669,097**	**147,403,945**

The credit quality of other financial instruments at fair value through profit or loss may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Corporate bonds**	**Securities of the Ministry of Finance of the Republic of Kazakhstan**	**Total**
Not past due			
- BBB- to BBB+ rated	2,343,360	1,479,517	3,822,877
- B- to B+ rated	1,179,806	-	1,179,806
Total other financial instruments at fair value through profit or loss	**3,523,166**	**1,479,517**	**5,002,683**

Equity instruments comprise unquoted shares of investment funds. More detailed information on measurement of the fair value of shares is disclosed in Note 32.

Currency risk and interest rate analysis of other financial instruments at fair value through profit or loss is disclosed in Note 29. Information on other financial instruments at fair value through profit or loss issued by related parties is disclosed in Note 34.

8 Loans to Banks and Financial Institutions

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Loans to banks and financial institutions		
- BB- to BB+ rated	106,179,141	100,592,001
- B- to B+ rated	191,061,303	173,565,327
- CCC- to CCC+ rated	-	14,213,473
- D rated	18,991,491	18,991,491
- unrated	6,083,943	3,485,494
Gross loans to banks and financial institutions	**322,315,878**	**310,847,786**
Less: impairment allowance	(27,151,695)	(26,788,019)
Total loans to banks and financial institutions	**295,164,183**	**284,059,767**

8 Loans to Banks and Financial Institutions, continued

Movements in the provision for impairment of loans to banks and other financial institutions are as follows:

(In thousands of Kazakhstani Tenge)	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	Lifetime ECL credit-impaired	Total	
Balance as at 1 January	**-**	**4,125,837**	**22,662,182**	**26,788,019**	**18,298,813**
Impact of adopting IFRS 9, unaudited	5,482,621	(281,450)	204,774	5,405,945	-
Impairment allowance (reversal)/charge during the period, unaudited	(416,328)	(1,104,824)	(3,524,876)	(5,046,028)	2,370,811
Effect of changes in foreign exchange rates, unaudited	3,759	-	-	3,759	-
Balance as at 30 June, unaudited	**5,070,052**	**2,739,563**	**19,342,080**	**27,151,695**	**20,669,624**

As at 30 June 2018 the Holding had no outstanding balances of loans to banks and financial institutions whose total balances exceed 10% of equity, unaudited (31 December 2017: no banks).

Refer to Note 32 for the estimated fair value of each class of amounts of loans to banks and financial institutions. Information on related party balances is disclosed in Note 34.

9 Deposits

(In thousands of Kazakhstani Tenge)	30 June 2018, unaudited	31 December 2017
Deposits		
- BB- to BB+ rated	83,833,293	71,496,902
- B- to B+ rated	89,281,673	124,457,556
- D rated	15,850,864	15,709,171
- unrated	-	144,166
Gross deposits	**188,965,830**	**211,807,795**
Less: impairment allowance	(17,995,001)	(15,709,171)
Total deposits	**170,970,829**	**196,098,624**

Movements in the provision for impairment of deposits are as follows:

(In thousands of Kazakhstani Tenge)	Six-month period ended 30 June 2018			Six-month period ended 30 June 2017
	12-month ECL	Lifetime ECL credit-impaired	Total	
Balance as at 1 January	**-**	**15,709,171**	**15,709,171**	**16,039,506**
Impact of adopting IFRS 9, unaudited	3,011,673	110,979	3,122,652	-
Impairment allowance (reversal)/charge during the period, unaudited	(862,281)	-	(862,281)	4,529,069
Effect of changes in foreign exchange rates, unaudited	(3,757)	88,951	85,194	387
Transfer to loans to customers, unaudited	-	-	-	(3,942,222)
Decrease due to deposit write-off, unaudited	(59,735)	-	(59,735)	-
Balance at the end of the period	**2,085,900**	**15,909,101**	**17,995,001**	**16,626,740**

As at 30 June 2018 the Holding had no outstanding balances of deposits whose total balances exceed 10% of equity, unaudited (31 December 2017: no banks).

10 Loans to Customers

(In thousands of Kazakhstani Tenge)	30 June 2018, unaudited	31 December 2017
Loans to customers at amortised cost		
Corporate loans	1,574,330,377	1,626,535,221
Mortgage loans	576,016,875	513,619,994
Loans issued to small and medium entities (“SME”)	5,302,019	11,864,346
Accrued interest	78,502,246	73,636,102
Gross loans to customers measured at amortised cost	**2,234,151,517**	**2,225,655,663**
Less: impairment allowance on loans	(107,646,973)	(185,262,100)
Total net loans to customers measured at amortised cost	**2,126,504,544**	**2,040,393,563**
Loans to customers measured at fair value through profit or loss	**42,739,533**	**-**
Total loans to customers	**2,169,244,077**	**2,040,393,563**

Movements in the impairment allowance for loans to customers measured at amortised cost for the six months ended 30 June 2018 and 30 June 2017 are as follows:

(In thousands of Kazakhstani Tenge)	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	Lifetime ECL credit-impaired	Total	
Provision for loan impairment as at 1 January	**14,281,147**	**7,620,148**	**163,360,805**	**185,262,100**	**146,761,788**
Impact of adopting IFRS 9, unaudited	(5,222,072)	21,640,218	(855,382)	15,662,764	-
Impact of adopting IFRS 9 write-offs, unaudited	-	-	(103,762,008)	(103,762,008)	
Impairment allowance charge during the period, unaudited	(1,745,477)	5,297,891	6,085,501	9,637,915	20,005,936
Transfer from placements with banks and other financial institutions, unaudited	-	-	-	-	3,942,222
Write-offs, unaudited	-	-	-	-	(35,773)
Effect of changes in foreign exchange rates, unaudited	147,983	168,583	627,744	944,310	(566,592)
Other changes, unaudited	1,892	-	-	1,892	(2,047)
Provision for loan impairment as at 30 June	**7,463,473**	**34,726,840**	**65,456,660**	**107,646,973**	**170,105,534**

As at 1 January 2018 the Holding has written off loans to customers in the amount of Tenge 103,762,008 thousand (unaudited) as the management determined 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.

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

10 Loans to Customers, continued

Credit quality

Analysis by credit quality of loans outstanding as at 30 June 2018 is as follows:

(In thousands of Kazakhstani Tenge)	Corporate loans, unaudited	Mortgage loans, unaudited	Loans issued to SME, unaudited	Total, unaudited
Not past due				
- Earlier not restructured	1,257,891,791	560,070,588	444,678	1,818,407,057
- Restructured	337,520,977	2,243,218	-	339,764,195
Total no past due	**1,595,412,768**	**562,313,806**	**444,678**	**2,158,171,252**
Past due				
- less than 30 days overdue	-	8,785,145	672,543	9,457,688
- 30 to 90 days overdue	-	3,333,621	63,234	3,396,855
- 91 to 180 days overdue	-	800,905	341,946	1,142,851
- 181 to 360 days overdue	16,180,677	453,766	1,175,742	17,810,185
- over 360 days overdue	38,637,842	2,767,734	2,767,110	44,172,686
Total past due	**54,818,519**	**16,141,171**	**5,020,575**	**75,980,265**
Less: provision for impairment	(97,149,865)	(5,995,409)	(4,501,699)	(107,646,973)
Total loans to customers measured at amortised cost	**1,553,081,422**	**572,459,568**	**963,554**	**2,126,504,544**

Analysis by credit quality of loans outstanding at 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	Corporate loans	Mortgage loans	Loans issued to SME	Total
Not past due				
- Earlier not restructured	1,215,601,911	486,014,528	812,073	1,702,428,512
- Restructured	328,523,100	18,091,119	-	346,614,219
Total no past due	**1,544,125,011**	**504,105,647**	**812,073**	**2,049,042,731**
Past due but not impaired				
- less than 30 days overdue	2,225,323	6,322,927	1,819,087	10,367,337
- 30 to 90 days overdue	13,538,043	1,719,635	640,742	15,898,420
- 91 to 180 days overdue	-	625,169	422,660	1,047,829
- 181 to 360 days overdue	20,249,177	313,657	5,381,789	25,944,623
- over 360 days overdue	117,626,238	2,696,956	3,031,529	123,354,723
Total past due	**153,638,781**	**11,678,344**	**11,295,807**	**176,612,932**
Less: impairment allowance	(171,050,753)	(5,416,928)	(8,794,419)	(185,262,100)
Total loans to customers	**1,526,713,039**	**510,367,063**	**3,313,461**	**2,040,393,563**

Significant credit exposures. As at 30 June 2018 the Holding had 6 borrowers (unaudited) (31 December 2017: 6 borrowers) with the total amount issued to each borrower above 10% of equity. The gross value of these loans was Tenge 859,188,668 thousand (unaudited) (31 December 2017: Tenge 785,705,330 thousand), or 39.61% of loan portfolio less impairment allowance (unaudited) (31 December 2017: 38.51%).

Refer to Note 32 for the estimated fair value of each class of loans and advances to customers. Information on related party balances is disclosed in Note 34.

Currency risk exposure and interest rate analysis are disclosed in Note 29.

11 Investment Securities

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Investment securities measured at fair value through other comprehensive income	416,570,837	-
Investment securities measured at fair value through profit or loss	137,523,055	-
Investment securities measured at amortised cost	123,394,913	-
Investment securities available for sale	-	561,438,865
Total investment securities	**677,488,805**	**561,438,865**

Investment securities measured at fair value through other comprehensive income

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	266,008,856
Bonds of NWF “Samruk-Kazyna” JSC	68,190,032
Bonds of Kazakhstani banks	32,314,637
Bonds of banks from OECD countries	14,982,818
Bonds of local executive bodies	13,022,796
Corporate bonds	10,579,653
Bonds of other states	9,549,045
NBRK notes	1,921,853
Total investment securities measured at fair value through other comprehensive income	**416,569,690**
Corporate shares	1,147
Total investment securities measured at fair value through other comprehensive income	**416,570,837**

Investment securities measured at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB- to BBB+)	755,715
Bonds of Kazakhstani banks (BB- to BB+)	361,800
Bonds of Kazakhstani banks (B- to B+)	12,549,101
Bonds of local executive bodies (unrated)	119,424,765
Corporate bonds (unrated)	4,431,674
Total investment securities measured at fair value through profit or loss	**137,523,055**

Bonds of local executive bodies. During six month-period ended 30 June 2018, the Holding purchased 50,272,395 bonds measured at fair value (unaudited) (six month-period ended 30 June 2017: 28,665,629 bonds (unaudited)) of the local executive bodies at a price of Tenge 1,000 per bond with maturity in 2020 (six month-period ended 30 June 2017: 2020) under the government program. The coupon interest rate on a bond is 0.15 % -0.35 % p.a. (six month-period ended 30 June 2017: 0.15% p.a.). The bonds were recognised at the fair value of Tenge 43,304,948 thousand (unaudited) using the market rate of 8.10%-8.30% p.a. (six month-period ended 30 June 2017: recognised at the fair value of Tenge 24,169,054 thousand (unaudited) using the market rate of 9.12%-9.63% p.a.) The discount of Tenge 6,554,692 thousand (unaudited) (six month-period ended 30 June 2017: Tenge 4,495,919 thousand (unaudited)) on difference between the nominal and fair values was recognised through the decrease in government grant liability (Note 20).

11 Investment Securities, continued

Investment securities measured at amortised cost

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	9,450,544
NBRK notes	94,174,291
Corporate bonds (BBB- to BBB+)	1,241,897
Bonds of NWF “Samruk-Kazyna” JSC (BB- to BB+)	5,864,338
Bonds of Kazakhstani banks (B- to B+)	11,664,384
Corporate bonds (unrated)	3,640,300
Investment securities measured at amortised cost before impairment allowance	**126,035,754**
Less: impairment allowance	(2,640,841)
Total investment securities measured at amortised cost	**123,394,913**

Movements in the impairment allowance on investment securities measured at amortised cost are as follows:

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018**		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**-**	**2,607,001**	**2,607,001**
Impact of adopting IFRS 9, unaudited	31,873	76,365	108,238
Impairment allowance reversal during the period, unaudited	(2,914)	(71,484)	(74,398)
Balance at the end of the period	**28,959**	**2,611,882**	**2,640,841**

Investment securities available for sale

(In thousands of Kazakhstani Tenge)	**31 December 2017**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	240,533,998
Bonds of local executive bodies	111,825,654
Bonds of NWF “Samruk-Kazyna” JSC	73,814,912
NBRK notes	52,728,856
Bonds of Kazakhstani banks	47,191,189
Corporate bonds	22,630,557
Bonds of banks from OECD countries	19,119,342
Bonds of other states	247,610
Debt securities before impairment allowance	**568,092,118**
Corporate shares	479,153
Total investment securities available for sale before impairment allowance	**568,571,271**
Less: impairment allowance	(7,132,406)
Total investment securities available for sale	**561,438,865**

12 Finance Lease Receivables

Finance lease payments receivable (gross investment in the leases) and their present values as at 30 June 2018 are as follows:

(In thousands of Kazakhstani Tenge)	Less than 1 year, unaudited	From 1 to 5 years, unaudited	More than 5 years, unaudited	Total, unaudited
Finance lease receivables	**40,717,370**	**133,198,844**	**233,611,054**	**407,527,268**
Unearned finance income	(15,275,293)	(62,747,365)	(65,815,150)	(143,837,808)
Impairment allowance	(3,210,830)	(6,439,095)	(2,276,532)	(11,926,457)
Net investment in finance lease	**22,231,247**	**64,012,384**	**165,519,372**	**251,763,003**
Embedded financial derivative	**707,698**	**1,209,907**	**1,331,831**	**3,249,436**
Present value of lease receivables	**22,938,945**	**65,222,291**	**166,851,203**	**255,012,439**

Finance lease payments receivable (gross investment in the leases) and their present values as at 31 December 2017 are as follows:

(In thousands of Kazakhstani Tenge)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Finance lease receivables	**37,060,702**	**127,645,572**	**221,140,845**	**385,847,119**
Unearned finance income	(14,785,418)	(64,023,257)	(69,361,191)	(148,169,866)
Impairment allowance	(1,884,822)	(3,493,217)	(1,646,467)	(7,024,506)
Present value of lease receivables	**20,390,462**	**60,129,098**	**150,133,187**	**230,652,747**

Embedded financial derivative instruments

The repayment of investment in finance leases of Tenge 9,957,597 thousand and Tenge 18,057,001 thousand (unaudited) (31 December 2017: Tenge 11,656,922 thousand and Tenge 15,535,140 thousand) is in part linked to any appreciation in the rate of the US Dollars against the Tenge and Russian Rouble against Tenge, respectively. If this foreign currency appreciates, the amount receivable is increased by the respective index. If this foreign currency depreciates, the amount receivable is not adjusted below the original outstanding amount in Tenge. Basis for measurement of the embedded derivative includes all future payments under the finance lease agreements and contingent liabilities tied up to the US Dollar and Russian Rouble appreciation, and as at 30 June 2018 are Tenge 13,079,829 thousand and Tenge 27,015,009 thousand, respectively (31 December 2017: Tenge 13,669,524 thousand linked to any appreciation in the rate of the US Dollar against the Tenge and 29,636,629 thousand linked to any appreciation in the rate of the Rouble against the Tenge).

These embedded derivative financial instruments are recorded at fair value in the condensed consolidated interim financial statements. The estimated amount of the embedded derivative, which is included in finance lease receivables as at 30 June 2018 is Tenge 3,249,436 thousand (unaudited) (31 December 2017: Tenge 4,603,837 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 32).

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

- risk-free rates are estimated using the yield curves for respective currencies and range from 2.37% to 3.48% (unaudited) for US Dollars, from 7.43% to 9.29% (unaudited) for Russian Rouble and from 8.41% to 8.61% (unaudited) for Tenge (31 December 2017: from 1.69% to 2.25% for US Dollars, from 7.54% to 7.88% for Russian Rouble and from 8.83% to 10.00% for Tenge);

- volatility in the model is defined based on the historical one-year observations of fluctuations in the actual foreign exchange rates;

- the model does not include transaction costs.

If the difference between risk-free rates in tenge and US Dollars is reduced by 0.50% under all agreements, the fair value of embedded derivative financial instruments will decrease by Tenge 177,340 thousand. If the difference between risk-free rates in tenge and Russian Rouble is reduced by 0.50% under all agreements, the fair value of embedded derivatives will decrease by Tenge 168,991 thousand. Reducing the volatility of exchange rates in US Dollars by 50% will reduce the fair value of embedded derivatives by Tenge 6,639 thousand. Reducing the volatility of exchange rates in Russain Rouble by 50% will reduce the fair value of embedded derivatives by Tenge 563,814 thousand.

12 Finance Lease Receivables, continued

Movements in the provision for impairment for finance lease receivables are as follows:

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018**	**Six-month period ended 30 June 2017**
Balance as at 1 January	**7,024,506**	**7,446,180**
Adjustment due to adoption of IFRS 9	953,660	-
Net charge of impairment allowance, unaudited	3,841,145	1,288,510
Amounts written off during the period as uncollectible, unaudited	(51,614)	(441,524)
Recovery of previously written off amount	158,760	-
Transfer to other assets, unaudited	-	(1,150,955)
Balance at 30 June	**11,926,457**	**7,142,211**

Analysis of collateral. The following tables provides information on finance lease portfolio, net of impairment allowance, by types of collateral:

30 June 2018 *(In thousands of Kazakhstani Tenge)*	**Unaudited Finance lease receivables, carrying amount**	**Unaudited Fair value of collateral - for collateral assessed as of reporting date**
Lease under which ECL are measured on the basis of 12-month ECL		
Real estate	150,682,506	150,682,506
Motor vehicles	68,567,765	68,567,765
Equipment	8,804,982	8,804,982
Other assets	488,624	488,624
Guarantees from legal entities (rated from BB- to BBB-)	7,212,132	-
No collateral or other credit enhancement	534,930	-
Total lease under which the ECL are within 12 month:	**236,290,939**	**228,543,877**
Lease under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets:		
Real estate	2,947,898	2,947,898
Motor vehicles	400,858	400,858
Equipment	54,156	54,156
No collateral or other credit enhancement	252	-
Total lease, under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets	**3,403,164**	**3,402,912**
Lease under which ECL are measured on the basis of lifetime ECL for credit-impaired assets		
Real estate	3,175,575	3,175,575
Motor vehicles	1,760,784	1,760,784
Equipment	7,132,541	7,132,541
Total lease, under which ECL are measured on the basis of lifetime ECL for credit-impaired assets	**12,068,900**	**12,068,900**
Total finance lease receivable	**251,763,003**	**244,015,689**

12 Finance Lease Receivables, continued

Analysis of collateral, continued

31 December 2017 *(In thousands of Kazakhstani Tenge)*	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as at reporting date**
Finance lease without individual signs of impairment		
Guarantees of other parties, including loan insurance	7,440,425	7,440,425
Real estate	131,612,299	114,779,525
Motor vehicles	58,835,992	58,835,992
Equipment	7,775,200	7,775,200
No collateral or other credit enhancement	6,959,129	-
Total lease without signs of impairment	**212,623,045**	**188,831,142**
Impaired lease		
Real estate	8,688,706	8,688,706
Motor vehicles	2,797	2,797
Equipment	9,338,199	9,338,199
Total impaired lease	**18,029,702**	**18,029,702**
Total finance lease receivables	**230,652,747**	**206,860,844**

The tables above exclude overcollateralisation.

The Holding has no finance lease receivables, for which the fair value of collateral was assessed at the date of initial recognition of receivables and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined. The fair value of guarantee from legal entities (rated from BB- to BBB-) received as collateral for finance lease receivables has not been determined as of the reporting. Information on the valuation of collateral is based on when this estimate was made, if any.

For receivables secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of small and medium-sized borrowers, are not considered for impairment assessment purposes. Accordingly, such finance lease receivables and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

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

Foreclosed leased assets. During the six months ended 30 June 2018 the Holding obtained Tenge 760 thousand assets by taking control of collateral securing leases (30 June 2017: Tenge 423,277 thousand).

13 Non-current Assets Held for Sale

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Ready-constructed apartments and parking lots	23,267,046	11,853,643
Property of Textiles.kz JSC	7,357,481	7,357,481
Property of Alatau Technopark JSC	2,416,556	2,416,323
Property of Astana-Contract-Paragon LLP	1,005,009	1,005,009
Property of ILNO Group LLP	908,279	908,279
Property of Bogvi LLP	815,004	1,264,930
Property of Nimex LLP	743,313	743,313
Property of Asia Ceramic LLP	447,304	447,304
Property of Agricultural holding Zhanabas LLP	134,945	471,214
Property of LAD LLP	114,031	648,121
Other property, plant and equipment	945,626	946,587
Other	1,689,046	1,958,805
Total non-current assets held for sale	**39,843,640**	**30,021,009**

The ready-constructed apartments and parking lots constructed as part of the EXPO-2017 state program for further sale to final buyers. These assets have been transferred from investment property and will be further accounted for at the lower of the fair value less selling expenses and carrying amount. The Holding's subsidiary BD JSC's policy provides the sale of said assets as soon as practicable.

14 Other Assets

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Advances for equipment to be transferred under finance lease agreements	58,652,350	75,891,409
Inventory	24,890,544	34,137,387
Assets to be transferred under finance lease agreements	21,104,604	10,402,470
Prepayments for construction in progress	18,588,392	33,364,042
Construction in progress	9,536,814	23,475,511
Prepayments to suppliers for goods and services	4,315,780	6,038,138
Foreclosed assets under finance lease	1,678,437	1,548,695
Prepaid taxes other than on income	1,075,126	187,589
Repossessed collateral	1,068,043	569,207
Other	1,665,396	1,931,378
Other assets before impairment allowance	**142,575,486**	**187,545,826**
Less: impairment allowance	(2,635,008)	(2,382,431)
Total other assets	**139,940,478**	**185,163,395**

Advances for equipment to be transferred under finance lease agreements. The amount of advances for equipment to be transferred under finance lease agreements comprises the advances paid to suppliers in the amount of Tenge 51,249,629 thousand (unaudited) (31 December 2017 Tenge 65,125,326 thousand) and cash deposited under irrevocable letters of credit in the amount of Tenge 7,402,721 thousand (unaudited) (31 December 2017: Tenge 10,766,083 thousand).

Inventory. As at 30 June 2018 the Holding has available ready-constructed apartments in residential properties in Aktobe, Ust-Kamenogorsk, Taraz, Atyrau, Aktau, Pavlodar, Kostanai, Kyzylorda, Kokshetau, Uralsk, Shymkent cities under Nurly Zhol State Programme for Infrastructure Development with total carrying amount of Tenge 22,905,743 thousand (unaudited) (31 December 2017: Tenge 33,003,364 thousand). The Holding intends to sell the property in a short term to its individual depositors and to other individuals by means of lease-purchase agreements.

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 Holding during the reporting period, which the Holding intends to transfer to lessees in 2018. The main portion of these assets comprises the assets to be transferred under “Nurly Zhol” Programme.

Prepayment for construction in progress. As at 30 June 2018, the prepayments for construction-in-progress comprise advance payments in the amount of Tenge 18,571,520 thousand (31 December 2017: Tenge 26,610,917 thousand) for construction of residential houses as a part of the Nurly-Zhol State Program for Infrastructure Development.

15 Customer Accounts

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
State and public organisations		
- Current accounts	401,771	603
Other legal entities		
- Advances received as collateral for customer commitments	8,193,716	8,993,210
- Current accounts	714,888	3,520,158
Individuals		
- Term deposits	392,068,748	371,298,923
- Advances received as collateral for customer commitments	163,727,070	151,107,102
- Current accounts/on demand accounts	11,295,618	4,389,739
Total customer accounts	**576,401,811**	**539,309,735**

16 Debt Securities Issued

(In thousands of Kazakhstani Tenge)	30 June 2018, unaudited	31 December 2017
Other Tenge-denominated bonds	534,740,933	525,407,872
US dollars-denominated Eurobonds	467,751,246	468,752,818
Tenge-denominated Eurobonds	199,671,446	96,662,817
Mortgage bonds	41,301,564	35,156,299
Total debt securities issued	**1,243,465,189**	**1,125,979,806**

US dollars-denominated Eurobonds. Eurobonds comprise the following bonds issued by the Holding's subsidiary, DBK JSC:

- medium-term bonds with nominal value of USD 1,000,000 thousand issued on 10 December 2012 at coupon rate of 4.125% p.a. which mature in December 2022;
- long-term bonds with nominal value of USD 100,000 thousand issued on 3 June 2005 at coupon rate of 6.50% p.a. which mature in June 2020;
- long-term bonds with nominal value of USD 97,416 thousand issued on 23 March 2006 at coupon rate of 6.00% p.a. which mature in March 2026.

Other Tenge denominated bonds. Other Tenge-denominated bonds comprise the following bonds:

(*In thousands of Kazakhstani Tenge*)	Placement date	Maturity date	Nominal value 30 June 2018, unaudited	Nominal value 31 December 2017	Carrying amount 30 June 2018, unaudited	Carrying amount 31 December 2017
KZ2C0Y20F251 (not listed)	25.03.2016	25.03.2036	202,000,000	202,000,000	59,774,379	57,818,728
KZP01Y20E920 (not listed)	13.03.2015, 31.03.2015	13.03.2035	170,000,000	170,000,000	59,666,417	57,873,853
KZ2C0Y20E676 (not listed)	15.04.2014	15.04.2034	100,000,000	100,000,000	37,536,571	36,418,222
KZ2C0Y20E775 (not listed)	10.12.2014	10.12.2034	100,000,000	100,000,000	36,122,532	35,049,799
KZP01Y30E879 (not listed)	21.01.2015, 16.02.2015	21.01.2045	92,500,000	92,500,000	16,982,563	16,478,351
KZP02Y10E820	25.05.2016	25.05.2026	65,000,000	65,000,000	65,845,402	65,843,003
KZ2C0Y20E742 (not listed)	30.10.2014	30.10.2034	50,000,000	50,000,000	17,815,390	17,275,725
KZP02Y20E738 (not listed)	26.03.2015	26.03.2035	38,095,125	38,095,125	30,397,760	29,579,933
KZP01Y03F261	10.06.2016	10.06.2019	30,000,000	30,000,000	30,218,231	30,218,968
KZP01Y07F510	06.06.2017	06.06.2024	28,000,000	28,000,000	28,164,059	28,167,631
KZP01Y20E730 (not listed)	15.07.2014	15.07.2034	23,000,000	23,000,000	21,258,271	20,710,437
KZP02Y30E877 (not listed)	29.01.2016	29.01.2046	22,500,000	22,500,000	4,242,412	4,122,938
KZP01Y09F615 (not listed)	19.10.2017	29.01.2026	21,100,000	21,100,000	10,997,088	10,552,209
KZP01Y10E822	29.12.2014	29.12.2024	20,000,000	20,000,000	19,994,781	19,995,341
KZP02Y05F512	31.05.2017	31.05.2022	20,000,000	20,000,000	20,149,985	20,151,841
KZP02Y10F264	01.08.2016	01.08.2026	17,500,000	17,500,000	18,493,826	18,499,956
KZP03Y15E827	28.07.2016	28.07.2031	15,000,000	15,000,000	5,018,641	15,937,320
KZP02Y20E928 (not listed)	29.09.2015	29.09.2035	15,000,000	15,000,000	4,801,837	4,866,191
KZ2C0Y20F236 (not listed)	03.02.2016	03.02.2036	15,000,000	15,000,000	3,803,606	4,653,295
KZP03Y20E736 (not listed)	09.03.2016	09.03.2036	15,000,000	15,000,000	15,937,491	3,671,101
KZP03Y15F510	22.08.2017	22.08.2032	8,836,000	8,836,000	9,176,061	9,177,230
KZP04Y13F519	23.08.2017	23.08.2030	8,836,000	8,836,000	9,177,679	9,178,811
KZP05Y11F518	24.08.2017	24.08.2028	8,836,000	8,836,000	9,165,951	9,166,989
			1,086,203,125	**1,086,203,125**	**534,740,933**	**525,407,872**

During six-month period ended 30 June 2018, the Holding did not issue any other Tenge denominated bonds.

During the six-month period ended 30 June 2017, the Holding has issued the following Tenge denominated bonds:

- unsecured coupon bonds with a nominal value of Tenge 20,000,000 thousand (unaudited) issued on 31 May 2017 with a coupon rate of 10.50% p.a. and maturity of May 2022;

- unsecured coupon bonds with a nominal value of Tenge 28,000,000 thousand (unaudited) issued on 6 June 2017 with a coupon rate of 10.50% p.a. and maturity of June 2024.

Tenge-denominated Eurobonds. On 4 May 2018 DBK JSC issued bonds denominated in Tenge for the total amount of Tenge 100,000,000 thousand having a coupon rate of 8.95% p.a. (effective interest rate is 9.54%) and maturing on 4 May 2023.

16 Debt Securities Issued, continued

Mortgage bonds. Mortgage bonds comprise debt securities issued by KMC JSC denominated in Tenge and US Dollar. These bonds have floating and fixed coupon rates varying from 7.00% to 10.50% p.a. (effective interest rates vary from 7.00% to 12.72% p. a.) (unaudited). They will be redeemed during 2018-2027. Bonds are secured by customer loan agreements and relevant real estate which is the collateral for these loans. Floating coupon rates are dependent on the inflation rate which is based on the inflation index for the recent 12 months according to data reported by the Agency of Statistics of the Republic of Kazakhstan, and subject to semi-annual revision in accordance with the issue date.

17 Loans from Banks and Other Financial Institutions

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Loans from National Welfare Fund "Samruk-Kazyna" JSC	90,637,231	90,817,393
Loans with fixed interest rate		
Loans from OECD banks and other financial institutions	16,103,934	17,980,040
Loans from non-OECD banks and other financial institutions	348,758,881	517,225,825
	364,862,815	**535,205,865**
Loans with floating interest rate		
Loans from OECD banks and other financial institutions	84,922,309	8,895,344
Loans from non-OECD banks and other financial institutions	408,555,682	397,328,852
	493,477,991	**406,224,196**
Less unamortised portion of borrowing costs	**(22,167,069)**	**(22,058,815)**
Total loans from banks and other financial institutions	**926,810,968**	**1,010,188,639**

Loans from non-OECD banks and other financial institutions. During six-month period ended 30 June 2018, the Holding made repayments of the loans from the Export-Import Bank of China in the amount of USD 500,000 thousand (equivalent to Tenge 163,540,000 thousand) in accordance with the repayment schedule (unaudited) (six-month period ended 30 June 2017: partial early repayments of the loans from the Export-Import Bank of China in the amount of USD 200,000 thousand (equivalent to Tenge 66,216,000 thousand) (unaudited) and from Asian Development Bank in the amount of USD 96,777 thousand (equivalent to Tenge 30,813,575 thousand) (unaudited).

18 Loans from the Government of the Republic of Kazakhstan

During six-month period ended 30 June 2018 the Holding received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 34,000,000 thousand (unaudited) (six month-period ended 30 June 2017: Tenge 116,100,000 thousand (unaudited)):

- a loan of Tenge 10,000,000 thousand (unaudited) has been provided at the rate of 0.10% p.a. and with maturity in 9 years. The borrowed funds will be used to provide a long-term lease financing under the Unified Program for Business Support and Development "Business Road Map – 2020";

- a loan of Tenge 24,000,000 thousand (unaudited) has been provided at the rate of 0.15% p.a. and with maturity in 20 years. The borrowed funds will be used to provide preliminary and interim housing loans to participants in the "Nurly Zher" Housing Construction Program.

During six-month period ended 30 June 2017 the following loans have been received:

- a loan of Tenge 17,500,000 thousand (unaudited) has been provided at the rate of 0.10% p.a. and with maturity in 10 years. The borrowed funds will be used to provide a long-term lease financing under the Unified Program for Business Support and Development "Business Road Map – 2020";

- a loan of Tenge 18,600,000 thousand (unaudited) has been provided at the rate of 0.05% p.a. and with maturity in 20 years. All borrowed funds will be used to finance the renewal of passenger car fleet of "Passenger transportation" JSC;

- a loan of Tenge 80,000,000 thousand (unaudited) loan at the rate of 0.10% p.a. and with maturity in 20 years. The borrowed funds will be used to finance the investment projects as a part of implementation of the State Program of the Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019. Interest rate on loans for final borrowers is limited to 11% p.a.

During six-month period ended 30 June 2018 the Holding also received loans from Municipal Authorities in the total amount of Tenge 12,884,305 thousand (unaudited) (six month-period ended 30 June 2017: Tenge 11,949,600 thousand (unaudited)) at the rate of 0.01% p.a. and with maturity in 7 years (six month-period ended 30 June 2017: 0.01%-0.1% p.a. and with maturity 7 years) . The borrowed funds have been received for further distribution to a list of Kazakhstani commercial banks, approved by the Government for the purpose of governmental program supporting the development of Small and Medium Entrepreneurship.

18 Loans from the Government of the Republic of Kazakhstan, continued

During six-month period ended 30 June 2018, the Holding stated income of Tenge 3,808,188 thousand (unaudited) as government grants (six-month period ended 30 June 2017: Tenge 71,957,365 thousand (unaudited) as government grants), recognised in other operating income in the condensed consolidated interim statement of profit or loss and other comprehensive income. The Holding used estimated market interest rates of 8.70% per annum (six-month period ended 30 June 2017: 9.21%-9.49% per annum) to measure the fair value of the loans received from the Government of the Republic of Kazakhstan at initial recognition by discounting their future contractual cash flows.

The Holding recognised the discount of Tenge 15,473,120 thousand (unaudited) arising upon initial recognition of the loan received with nominal value of Tenge 24,000,000 thousand (unaudited) and interest rate at 0.15% directly in equity as an additional paid-in capital (less effect of the respective income tax of Tenge 3,868,282 thousand (unaudited)), as management determined that the Government acted in the capacity of a shareholder when providing the Holding with said financing instruments at interest rates below market rates, without any additional conditions.

19 Other financial liabilities

Other financial liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Amounts placed by customers as security for letters of credit	24,956,523	13,453,032
Government grants liabilities	12,063,029	3,177,338
Payables for mortgage loans acquired	7,656,434	7,552,688
Provision for credit related commitments	5,255,989	1,678,847
Trade payables to suppliers and contractors	4,393,884	3,122,793
Payables on banking activity	3,177,662	3,454,889
Innovation grants received	3,080,014	3,057,249
Interest strip payable	740,510	735,546
Accrued fee and commission expenses	702,092	1,994,663
Other	1,598,968	2,018,466
Total other financial liabilities	**63,625,105**	**40,245,511**

Government grants liabilities. Government grants are placed by the Ministry of Economic Development and Trade of the Republic of Kazakhstan and municipal bodies. Such funds are further transferred to local banks as payment against projects subsidised by the Government under the “Road Map of Business – 2020”.

Payables for mortgage loans acquired. Payables comprise final repayment on some mortgage loans acquired with due date after transfer of the documents on the acquired loans. The management expects that the transfer to be finalised in 2018-2019.

20 Other Liabilities

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Government grants	393,704,677	415,095,872
Advances received under finance leases	7,400,616	8,527,684
Short-term payables on subsidies	5,290,311	877,933
Deferred income on guarantees	4,428,586	4,162,790
Prepayments	2,671,911	7,006,424
Accrued employee benefit costs	1,774,885	1,733,051
Taxes payable other than on income	847,228	945,412
Follow-up control of performance of liabilities	814,665	2,995,747
Payables to suppliers	726,748	3,927,892
Deferred income	597,530	894,033
Other	1,284,874	2,204,602
Total other liabilities	**419,542,031**	**448,371,440**

20 Other Liabilities, continued

Government grants. The Holding recorded as government grants the amount of benefits received from loans provided at low interest rates by the National Fund of the Republic of Kazakhstan, NWF Samruk-Kazyna JSC and Ministry of Finance of the Republic of Kazakhstan.

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Balance as at 1 January	**415,095,872**	**351,895,386**
Government grant on loans received from the Government of the Republic of Kazakhstan through receipt of Loan from the Government (Note 18)	3,808,188	71,957,365
Utilisation of government grants upon issuance of low interest loans to commercial banks	(5,163,514)	-
Utilisation of government grants upon issuance of low interest loans to other borrowers	(2,656,701)	(8,921,213)
Utilisation of government grant for commissioning of residential properties under housing credit and lease agreements, under Nurly Zher program	(2,089,939)	-
Utilisation of government grant for loan issued under Nurly Zher program	(1,082,362)	-
Utilisation of government grant for bonds of local executive bodies under Nurly Zher program	(6,554,692)	(4,495,919)
Utilisation of government grants upon issuance of finance lease agreements	(2,283,584)	(1,433,938)
Recalculation of government grant due to partial repayment of principal	(1,012,736)	-
Amortisation for the period	(4,355,855)	(2,416,157)
Balance as at 30 June, unaudited	**393,704,677**	**406,585,524**

Subsequent to initial recognition, the Holding charged to profit or loss an amount corresponding to the renegotiated debt provided to the borrowers on favourable terms upon fulfilment of the conditions of state programs (Notes 8, 10, 11 and 12). The Holding is responsible for allocation benefits to ultimate borrowers through low interest loans.

During the period ended 30 June 2018 the government grants transferred to profit or loss (Note 25) amounted to Tenge 14,622,826 thousand (30 June 2017: Tenge 7,702,734 thousand) and were included in other expenses.

21 Share Capital

(In thousands of Kazakhstani Tenge, except for number of shares)	**30 June 2018, unaudited**	**31 December 2017**
Authorised ordinary shares	5,000,086,550	5,000,086,550
Issued but not paid ordinary shares	(4,153,867,838)	(4,153,867,838)
Total issued shares paid	**846,218,712**	**846,218,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**846,218,712**	**846,218,712**

Each ordinary share carries one vote.

During six-month-period ended 30 June 2018, the Holding Company did not receive any cash contribution to share capital (six-month period ended 30 June 2017: Tenge 13,900,000 thousand (unaudited)).

22 Net Interest Income

(In thousands of Kazakhstani Tenge)	Six-month period ended 30 June 2018, unaudited	Six-month period ended 30 June 2017, unaudited
Interest income calculated using the effective interest method		
Loans to customers	72,736,339	62,553,707
Cash and cash equivalents	15,496,421	13,906,206
Loans to banks and financial institutions	11,826,589	25,480,641
Investment securities measured at fair value through other comprehensive income	11,568,879	-
Investment securities measured at amortised cost	9,815,428	-
Deposits	7,612,370	12,225,259
Investment securities available for sale	-	20,088,623
Other	65,606	463,037
Total interest income calculated using the effective interest method	**129,121,632**	**134,717,473**
Other interest income		
Finance lease receivables	12,253,848	8,622,876
Loans to customers	2,754,970	-
Financial instruments at fair value through profit or loss	722,843	293,909
Total other interest income	**15,731,661**	**8,916,785**
Interest expense		
Debt securities issued	(43,315,123)	(38,528,264)
Loans from banks and other financial institutions	(20,939,432)	(23,481,973)
Loans from the Government of the Republic of Kazakhstan	(5,095,179)	(3,178,678)
Customer accounts	(4,787,037)	(3,859,704)
Subordinated debt	(488,526)	(434,240)
Other	(45,909)	(30,973)
Total interest expense	**(74,671,206)**	**(69,513,832)**
Net interest income	**70,182,087**	**74,120,426**

23 Net Loss on Financial Instruments at Fair Value through Profit or Loss

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Dividend income from financial instruments at fair value through profit or loss	3,986,912	981,901
Gain on revaluation of loans to customers at fair value through profit or loss	1,962,270	-
Losses less gains on derivative financial instruments	(3,185,883)	(19,548,422)
(Losses less gain)/gains less losses on other financial instruments at fair value through profit or loss	(3,472,198)	1,177,380
Losses less gains on trading securities	-	(123,830)
Total net loss on financial instruments at fair value through profit or loss	**(708,899)**	**(17,512,971)**

24 Net Foreign Exchange Gain

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Gains less losses arising from foreign currency translation	2,335,102	6,921,747
Gains less losses/(losses less gains) arising from foreign currency operations	452,435	(879,772)
Total net foreign exchange gain	**2,787,537**	**6,041,975**

25 Other Operating Income, net

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Other income from utilisation of government grants (Note 20)	14,266,009	7,702,734
Gain from early prepayment of loans	785,201	90,109
Gain from sale of own property	332,427	-
Revenue from provision of services or sale of goods	285,469	148,529
Gain from sales of non-current assets held for sale	96,740	86,445
Fines and penalties	46,130	363,237
Rental income on investment property	20,315	178,649
(Charge for)/recovery of impairment of other assets	(205,122)	162,295
Expenses in the form of negative adjustment of value of the loan issued	(14,928,168)	(3,520,910)
Reimbursement of the property tax from Astana EXPO	-	227,943
Recovery of impairment on loans and advances to customers previously written off	-	165,079
Other, net	(361,023)	512,767
Total other operating income, net	**337,978**	**6,116,877**

26 Recovery/(Provision) for Impairment of Other Financial Assets and Credit Related Commitments

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Loans to banks and financial institutions (Note 8)	5,046,028	(2,370,811)
Deposits (Note 9)	862,281	(4,529,069)
Investment securities measured at amortised cost (Note 11)	74,398	-
Investment securities measured at fair value through other comprehensive income	9,145	-
Cash and cash equivalents	(535,106)	-
Other financial assets	(454,975)	(130,046)
Contingent liabilities	(913,626)	(333,880)
Finance lease receivables (Note 12)	(3,841,145)	(1,288,510)
Total recovery/(provision) for impairment of other financial assets and credit related commitments	**247,000**	**(8,652,316)**

27 Administrative Expenses

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Personnel costs	9,685,840	9,043,822
Professional services	1,912,125	1,218,400
Taxes other than on income	1,248,169	894,405
Operating lease expense	700,371	795,572
Depreciation of property, plant and equipment	767,170	677,506
Business trip expenses	435,795	295,020
Repair and technical equipment	433,177	456,048
Amortisation of software and other intangible assets	395,250	342,643
Administrative expense of the Board of Directors	363,399	401,918
Communications services	323,495	254,408
Utilities	307,186	110,594
Advertising and marketing services	213,818	211,682
Insurance	181,559	148,411
Information services	157,182	174,909
Materials	154,680	136,113
Security services	111,985	99,597
Staff training	103,301	71,752
Transportation services	91,463	75,309
Other	1,814,602	2,043,717
Total administrative expenses	**19,400,567**	**17,451,826**

28 Income Tax Expense

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Current tax	17,131,789	3,337,991
Deferred tax	(8,667,774)	332,496
Income tax expense for the period	**8,464,015**	**3,670,487**

The income tax rate applicable to the Holding's six-month period ended 30 June 2018 income is 20% (six-month period ended 30 June 2017: 20%).

28 Income Tax Expense, continued

A reconciliation between the estimated and the actual tax charges is provided below:

(In thousands of Kazakhstani Tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Profit before income tax	**44,736,501**	**24,451,903**
Income tax at the applicable tax rate	8,947,300	4,890,381
- Non-taxable income on securities	(3,996,044)	(4,586,231)
- Other non-taxable income	(1,524,079)	(704,832)
- Non-deductible impairment losses	4,015,612	2,516,318
- Write-off of current income tax prepayments of past periods	-	559,847
- Other non-deductible expenses	2,400,360	1,622,012
- Adjustment of current income tax expense for prior years	818,180	52,531
- Change in unrecognised deferred tax assets	535,349	(304,881)
- Restructuring of private equity funds*	(2,434,567)	-
- Other permanent differences	(298,096)	(374,658)
Income tax expense for the period	**8,464,015**	**3,670,487**

* During the six months KCM JSC has restructured the private equity funds and foreign subsidiaries in order to optimize the tax burden and performed the necessary arrangements to transfer KCM JSC's assets to a special purpose vehicle (SPV) Kazyna Seriktes B.V. The subsidiary decreased its taxable profit and deferred tax liability on financial assets at fair value through profit or loss by KZT 2,434,567 thousand due to transfer of assets.

29 Financial Risk Management

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

As at 30 June 2018, there were no significant changes in relation to liquidity risk exposure since 31 December 2017.

29 Financial Risk Management, continued

Currency risk

The Holding has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. The table below summarises the Holding exposure to foreign currency exchange rate risk as at 30 June 2018:

(in thousands of Kazakhstani Tenge)	**Tenge, unaudited**	**US Dollars, unaudited**	**Euro, unaudited**	**Other, unaudited**	**Total, unaudited**
ASSETS					
Cash and cash equivalents	438,373,142	155,674,417	23,731,264	1,337,833	619,116,656
Other financial instruments at fair value through profit or loss	995,977	-	-	-	995,977
Loans to banks and financial institutions	295,164,183	-	-	-	295,164,183
Deposits	146,647,958	20,714,550	-	3,608,321	170,970,829
Loans to customers	1,268,087,240	884,413,354	14,763,823	1,979,660	2,169,244,077
Investment securities measured at fair value through profit or loss	137,523,055	-	-	-	137,523,055
Investment securities measured at fair value through other comprehensive income	212,559,564	203,769,622	-	241,651	416,570,837
Investment securities measured at amortised cost	123,394,913	-	-	-	123,394,913
Finance lease receivables*	255,012,439	-	-	-	255,012,439
Other financial assets	26,870,472	3,477,147	3,308	20	30,350,947
Total monetary financial assets	**2,904,628,943**	**1,268,049,090**	**38,498,395**	**7,167,485**	**4,218,343,913**
LIABILITIES					
Customer accounts	567,968,885	8,431,497	1,429	-	576,401,811
Debt securities issued	775,713,944	467,751,245	-	-	1,243,465,189
Subordinated debt	5,864,338	-	-	-	5,864,338
Loans from banks and other financial institutions	97,044,754	799,081,451	13,747,165	16,937,598	926,810,968
Loans from the Government of the Republic of Kazakhstan	207,594,502	387,405	-	-	207,981,907
Insurance contract provisions	3,666,092	-	-	-	3,666,092
Other financial liabilities	31,033,164	6,792,776	24,102,784	1,696,381	63,625,105
Total monetary financial liabilities	**1,688,885,679**	**1,282,444,374**	**37,851,378**	**18,633,979**	**3,027,815,410**
Net position before derivatives	**1,215,743,264**	**(14,395,284)**	**647,017**	**(11,466,494)**	**1,190,528,503**
Claims on derivatives	-	74,856,145	-	-	74,856,145
Liabilities on derivatives	(49,071,780)	-	-	-	(49,071,780)
Total net position	**1,166,671,484**	**60,460,861**	**647,017**	**(11,466,494)**	**1,216,312,868**

* These assets contain embedded derivatives which become effective if the US Dollar or Euro appreciates against Tenge.

29 Financial Risk Management, continued

Currency risk, continued

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Tenge	US Dollar	Euro	Other	Total
ASSETS					
Cash and cash equivalents	481,587,468	186,289,149	3,911,010	310,639	672,098,266
Financial instruments at fair value through profit or loss	7,627,073	-	-	-	7,627,073
Loans to banks and financial institutions	284,059,767	-	-	-	284,059,767
Deposits	123,698,177	71,235,706	-	1,164,741	196,098,624
Loans to customers	1,190,606,728	831,389,724	15,956,434	2,440,677	2,040,393,563
Investment securities available for sale	396,640,117	164,549,974	-	247,610	561,437,701
Finance lease receivables	230,652,747	-	-	-	230,652,747
Other financial assets	22,306,403	6,402,855	2,535	-	28,711,793
Total monetary financial assets	**2,737,178,480**	**1,259,867,408**	**19,869,979**	**4,163,667**	**4,021,079,534**
LIABILITIES					
Customer accounts	530,009,669	9,299,821	245	-	539,309,735
Debt securities issued	660,273,999	465,705,807	-	-	1,125,979,806
Subordinated debt	5,381,557	-	-	-	5,381,557
Loans from banks and other financial institutions	89,489,958	890,152,084	15,235,505	15,311,092	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	179,651,932	377,467	-	-	180,029,399
Insurance contract provisions	2,753,547	-	-	-	2,753,547
Other financial liabilities	20,320,671	15,356,582	4,566,040	2,218	40,245,511
Total monetary financial liabilities	**1,487,881,333**	**1,380,891,761**	**19,801,790**	**15,313,310**	**2,903,888,194**
Net position before derivatives	**1,249,297,147**	**(121,024,353)**	**68,189**	**(11,149,643)**	**1,117,191,340**
Claims on derivatives	-	180,254,422	-	-	180,254,422
Liabilities on derivatives	(109,071,780)	-	-	-	(109,071,780)
Total net position	**1,140,225,367**	**59,230,069**	**68,189**	**(11,149,643)**	**1,188,373,982**

* These assets contain embedded derivatives which become effective if the US Dollars or Euro appreciates against Tenge.

The above derivative financial instruments are the monetary financial assets or monetary financial liabilities and represent the fair value at the end of the reporting period of a relevant currency.

The following table presents sensitivities of profit to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Holding, with all other variables held constant:

(In thousands of Kazakhstani Tenge)	30 June 2018, unaudited	31 December 2017
US Dollar strengthening by 20% (2017: strengthening by 20%)	9,673,738	9,476,811
US Dollar weakening by 20% (2017: weakening by 20%)	(9,673,738)	(9,476,811)
EUR strengthening by 20% (2017: strengthening by 20%)	103,523	10,910
EUR weakening by 20% (2017: weakening by 20%)	(103,523)	(10,910)
Other currencies strengthening by 20% (2017: strengthening by 20%)	(1,834,639)	(1,783,943)
Other currencies weakening by 20% (2017: weakening by 20%)	1,834,639	1,783,943

The above analysis includes only monetary assets and liabilities. The Holding believes that investments in equity instruments and non-monetary assets will not result in significant currency risk. Risk was calculated only for monetary balances denominated in currencies other than the functional currency of the Holding.

29 Financial Risk Management, continued

Management of capital. The Holding's objectives when managing capital are to safeguard the Holding's ability to continue as a going concern, by meeting the capital adequacy requirements based on monitoring of the financial statements, including monitoring of the subsidiaries and established control requirements to capital adequacy on the part of the Board of Directors of the controlled entities, Financial Supervision Committee, National Bank of the Republic of Kazakhstan, investors.

The Holding considers capital as at 30 June 2018 as net assets, which is Tenge 1,061,100,125 thousand (unaudited) (31 December 2017: Tenge 1,051,158,691 thousand). The Holding does not have regulatory capital requirements. As at 30 June 2018 and 31 December 2017, the Holding's subsidiaries complied with all the capital adequacy ratios by exceeding the minimum requirements.

Interest rate risk. The Holding takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Interest rate risk management by the subsidiaries is based on the principles of full coverage of costs: resulting interest income should cover costs for raising and placement of funds and provide for net profit generation and competitiveness. Report on interest rate classifies assets, liabilities, off-balance sheet claims and liabilities which are sensitive to changes in interest rates, and groups them in economically homogeneous and significant items, by time period depending on their maturities (for fixed rates) or time to their next reprice (for floating rates). Time periods and items of recorded assets, liabilities, off-balance sheet claims and liabilities can be changed by the Holding's Management Board.

The table below summarises the Holding's exposure to interest rate risks. The table presents the aggregated amounts of the Holding's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Non-interest	Total
30 June 2018							
Total financial assets, unaudited	1,031,404,093	403,495,934	114,134,526	2,538,588,159	56,843,806	158,550,515	4,303,017,033
Total financial liabilities, unaudited	(453,895,362)	(196,449,858)	(75,830,586)	(2,234,348,408)	-	(67,291,196)	(3,027,815,410)
Net interest sensitivity gap at 30 June 2018, unaudited	**577,508,731**	**207,046,076**	**38,303,940**	**304,239,751**	**56,843,806**	**91,259,319**	**1,275,201,623**
31 December 2017							
Total financial assets	923,925,283	450,178,310	224,050,579	2,316,814,314	67,912,027	177,977,057	4,160,857,570
Total financial liabilities	(368,317,146)	(186,355,784)	(75,247,744)	(2,233,677,373)	-	(40,290,147)	(2,903,888,194)
Net interest sensitivity gap at 31 December 2017	**555,608,137**	**263,822,526**	**148,802,835**	**83,136,941**	**67,912,027**	**137,686,910**	**1,256,969,376**

All of the Holding's debt instruments reprice within 1 year on the average, excluding financial instruments with fixed interest rate.

Sensitivity analysis of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) performed based on the conventional scenario of parallel shift in yield curve by 100 basis points upward or downward the interest rates and restated positions on interest-bearing assets and liabilities effective as at 30 June 2018 and 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	30 June 2018 unaudited	31 December 2017
Parallel increase by 100 basis points (2017: 100 basis points)	5,677,436	6,052,262
Parallel decrease by 100 basis points (2017: 100 basis points)	(5,677,436)	(6,052,262)

29 Financial Risk Management, continued

Interest rate risk, continued

The Holding monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	30 June 2018, unaudited			31 December 2017		
	Tenge	US Dollar	Other	Tenge	US Dollar	Other
Assets						
Cash and cash equivalents	7.65%	0.20%	3.23%	8.54%	0.21%	4.01%
Other financial instruments at fair value through profit or loss	-	-	-	4.93%	-	-
Loans to banks and financial institutions	5.32%	-	-	5.35%	-	-
Deposits	8.10%	1.56%	2.99%	8.95%	5.58%	-
Loans to customers	7.88%	6.06%	6.10%	8.02%	6.08%	6.13%
Investment securities measured at fair value through other comprehensive income	1.20%	-	-			
Investment securities measured at fair value through profit or loss	7.30%	3.56%	4.29%			
Investment securities measured at amortised cost	7.26%	-	-			
Investment securities available for sale	-	-	-	5.81%	3.53%	5.38%
Finance lease receivables	5.86%	-	-	6.03%	-	-
Liabilities						
Customer accounts	2.00%	-	-	1.99%	-	-
Debt securities issued	9.67%	4.48%	-	9.49%	4.50%	-
Subordinated debt	7.67%	-	-	7.67%	-	-
Loans from banks and other financial institutions	4.76%	3.71%	6.69%	4.63%	3.65%	1.74%
Loans from the Government of the Republic of Kazakhstan	5.01%	-	-	5.29%	-	-

30 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Holding and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these condensed consolidated interim financial statements.

Tax contingencies. The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the condensed consolidated interim financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are more significant than in other countries. Management of the Holding believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Operating lease commitments. The Holding has a range of buildings and vehicles under operating lease. Lease is mainly executed for the initial period of one year with the option to renew upon expiry of the said period. Lease payments are usually increased annually to reflect market terms of lease. Lease does not include contingent lease.

30 Contingencies and Commitments, continued

Investment related contingencies. The Holding purchases shares in private equity funds to include in its portfolio. The Holding diversifies the investment portfolio by distributing investments among managers, relevant industries, territories and investment stages. As at 30 June 2018 the contingent capital commitments totalled Tenge 56,398,474 thousand (unaudited) (31 December 2017: Tenge 64,099,328 thousand). Under the constituent agreements of private equity funds, in case of default on capital commitments, after the manager issued a due claim, the Holding may be subject to sanctions, including moratorium on interest, cessation of profit distribution, temporary denial of right to participate in the corporate governance of the funds and forced sale of the Holding's share to co-investors and third parties. As at 30 June 2018 and 31 December 2017, the Holding did not have overdue investment commitments.

Compliance with covenants. The subsidiaries of the Holding are subject to certain covenants primarily relating to their borrowings. Non-compliance with these covenants may result in negative consequences for the Holding. The Holding was in compliance with covenants at 30 June 2018 and 31 December 2017.

Insurance. The insurance industry in the Republic of Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Holding does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Holding obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and consolidated financial position of the Holding.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Holding will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Holding on behalf of a customer authorising a third party to draw drafts on the Holding up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Holding is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Holding monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

(In thousands of Kazakhstani Tenge)	**30 June 2018, unaudited**	**31 December 2017**
Commitments to extend credit that are irrevocable or revocable only in response to a material adverse change	22,887,047	27,820,946
Undrawn credit lines that are irrevocable or revocable only in response to a material adverse change	290,448,229	393,384,876
Financial guarantees issued	96,884,950	89,563,962
Contingent commitments on innovation grants allocation	11,661,549	12,262,174
Total credit related commitments less provision	**421,881,775**	**523,031,958**

31 Derivative Financial Instruments

Type of instrument	Notional amount	Maturity	Amounts payable by the Holding	Amounts receivable by the Holding	Fair value of Asset	Fair value of Liability
30 June 2018, unaudited						
Currency swap	US Dollars 122,000,000	29.09.2019	Fixed at 3.00% p.a. and Tenge 22,222,300 thousand at maturity	USD 122,000,000 at maturity	20,169,233	(13,144)
Currency swap	US dollars 97,467,891	14.08.2020	Fixed 3.00% p.a. and Tenge 26,849,480 thousand at maturity	USD 97,467,891 at maturity	6,572,207	-
Options	KZT 5,019,118 thousand	15.06.2020	-	KZT 5,019,118 thousand at maturity	52,046	-
Net fair value					**26,793,486**	**(13,144)**

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2017						
Currency interest rate swap	US dollars 322,927,879	28.04.2018	Fixed 3.00% p.a. and Tenge 60,000,000 thousand at maturity	USD 322,927,879 at maturity	48,566,034	-
Currency swap	US dollars 122,000,000	29.09.2019	Fixed 3.00% p.a. and Tenge 22,222,300 thousand at maturity	USD 122,000,000 at maturity	19,236,519	(8,747)
Currency swap	US dollars 97,467,891	14.08.2020	Fixed 3.00% p.a. and Tenge 26,849,480 thousand at maturity	USD 97,467,891 at maturity	5,965,292	-
Options	Tenge 5,019,118 thousand	15.06.2020	-	Tenge 5,019,118 thousand at maturity	16,484	-
Net fair value					**73,815,780**	**(8,747)**

Foreign exchange and other derivative financial instruments entered into by the Holding are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly over time.

32 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments estimated based on active market quotations of similar instruments, market quotations for identical or similar instruments that are not considered as active, or other valuation techniques which inputs are directly or indirectly based on observable market data; and
- level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Recurring fair value measurements. Recurring fair value measurements are those that other IFRS require or permit in the condensed consolidated interim statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	30 June 2018, unaudited				**31 December 2017**			
(In thousands of Kazakhstani tenge)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Other financial instruments at fair value through profit or loss	-	281,223	58,607,532	58,888,755	-	5,235,152	68,361,760	73,596,912
Loans to customers	-	42,739,533	-	42,739,533	-	-	-	-
Investment securities measured at fair value	193,674,098	358,751,648	1,668,146	554,093,892	232,135,259	327,580,010	1,723,596	561,438,865
Embedded derivative	-	-	3,249,436	3,249,436	-	-	4,603,837	4,603,837
Derivative financial instruments	-	26,780,342	-	26,780,342	-	25,240,999	48,566,034	73,807,033
TOTAL ASSETS AT FAIR VALUE	**193,674,098**	**428,552,746**	**63,525,114**	**685,751,958**	**232,135,259**	**358,056,161**	**123,255,227**	**713,446,647**

32 Fair Value of Financial Instruments, continued

Level 2 measurements*.* Level 2 includes Investment securities measured at fair value which fair value was determined based on valuation techniques that apply inputs from observable markets. Observable inputs include transaction prices at markets which are active for similar, but not identical instruments, and prices at markets which are not active for identical instruments. Although all the instruments are listed at the Kazakhstani Stock Exchange, management believes that market for identical instruments is not active.

The Holding applies the discounted cash flow method for investment securities and financial assets at fair value for which fair value cannot be determined based on inputs from observable markets.

For impaired debt securities, forecasts of estimated cash flows were based on the publicly available information related to the estimated repayment schedule after the restructuring for each respective category of securities. Assumptions in relation to discount rates were based on credit risk premiums of similar issuers that were understood as market quotations of securities in issue which trading has not been suspended.

There were no changes in valuation techniques for level 2 recurring fair value measurements during the six-month periods ended 30 June 2018 and during the year ended 31 December 2017.

Level 3 measurements*.* Certain Investment securities measured at fair value that are not quoted at the observable markets and cannot be measured based on inputs from observables market were estimated using the discounted cash flow method. Forecasts for such securities were calculated based on the contractual repayment schedule. Assumptions in relation to discount rates were based on active market quotations for identical instruments of the issuer subject to respective adjustment of credit rating for credit rating difference.

The Holding's investments in equity instruments designated as level 3 include contributions to investment funds at fair value though profit or loss. These funds invest primarily in private equity through acquisition of unquoted ordinary shares of the companies from transition economies (mainly, the Republic of Kazakhstan and Russia). The Holding applies fair value of investments recorded in the statements of each fund and estimates the basis for material differences between fair value measured and fair value stated by the fund managing companies.

The appraiser applies a range techniques to measure cost of base portfolio investments depending on the nature of business under review, availability of comparable items at the market, and stage of the company's life cycle.

The control system implemented by the Holding includes preparation of fair value measurement by responsible front-office specialists of the subsidiaries and subsequent review by the executive of the relevant department. Special control mechanisms implemented by the Holding include:

- observable quotations review;
- overview and approval of new models and amendments to models;
- review and approval of new models and amendments to models with participation of the executive of the relevant front-office;
- overview of significant unobservable input, measurement adjustments and significant changes in fair value measurement of Level 3 instruments as compared with the prior period.

There were no significant changes in valuation technique, observable inputs and assumptions for level 3 recurring fair value measurements during the six-month period ended 30 June 2018 (the six-month period ended 30 June 2017: none).

32 Fair Value of Financial Instruments, continued

The table below provides information on significant unobservable inputs used at the year-end to value the most significant companies included in the portfolio of private equity funds categorised into Level 3 of the fair value hierarchy as at 30 June 2018 (unaudited), in addition to sensitivity analysis to changes in unobservable data, which the Holding thinks reasonably possible at the reporting date, assuming that all other variables remain unchanged.

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
	6,375,897	Income approach	Discounted CF	+/- 5%	318,795
	2,231,519	Income approach	Discounted CF	+/- 5%	111,576
	1,113,528	Income approach	Discounted CF	+/- 5%	55,676
Power engineering	213,302	Income approach	Discounted CF	+/- 5%	10,665
	4,528,596	Comparative approach	EBITDA/multiplier	+/- 5%	226,430
	56,863	Income approach	Discounted CF	+/- 5%	2,843
Alternative power engineering	44,392	Income approach	Discounted CF	+/- 5%	2,220
	2,953,471	Income approach	Discounted CF	+/- 5%	147,674
	2,650,703	Cost approach	Adjustment to NAV	+/- 5%	132,535
	2,168,335	Cost approach	Adjustment to NAV	+/- 5%	108,417
	863,211	Cost approach	Adjustment to NAV	+/- 5%	43,161
Transportation and logistics services	260,861	Income approach	Adjustment to NAV	+/- 5%	13,043
Real estate	1,548,213	Cost approach	Adjustment to NAV	+/- 5%	77,411
	4,037,581	Income approach	Discounted CF	+/- 5%	201,879
	3,406,452	Income approach	Discounted CF	+/- 5%	170,323
	921,837	Cost approach	Adjustment to NAV	+/- 5%	46,092
Processing industry	108,006	Cost approach	Adjustment to NAV	+/- 5%	5,400
Natural resources	3,402,802	Income approach	Discounted CF	+/- 5%	170,140

32 Fair Value of Financial Instruments, continued

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
	962,357	Cost approach	Adjustment to NAV	+/- 5%	48,118
	962,357	Cost approach	Adjustment to NAV	+/- 5%	48,118
	822,028	Cost approach	Adjustment to NAV	+/- 5%	41,101
	792,215	Cost approach	Adjustment to NAV	+/- 5%	39,611
	506,504	Cost approach	Adjustment to NAV	+/- 5%	25,325
Medical diagnostics	506,504	Cost approach	Adjustment to NAV	+/- 5%	25,325
	3,069,720	Cost approach	Adjustment to NAV	+/- 5%	153,486
Agriculture	1,620,812	Cost approach	Adjustment to NAV	+/- 5%	81,041
	1,146,975	Cost approach	Adjustment to NAV	+/- 5%	57,349
	531,648	Comparative approach	EBITDA/multiplier	+/- 5%	26,582
	291,419	Comparative approach	EBITDA/multiplier	+/- 5%	14,571
Financial services	185,723	Cost approach	Adjustment to NAV	+/- 5%	9,286
	1,266,801	Income approach	Discounted CF	+/- 5%	63,340
Electrical industry	48,570	Comparative approach	EBITDA/multiplier	+/- 5%	2,429
	1,857,181	Comparative approach	EBITDA/multiplier	+/- 5%	92,859
	810,406	Comparative approach	EBITDA/multiplier	+/- 5%	40,520
Entertainment	759,756	Comparative approach	EBITDA/multiplier	+/- 5%	37,988
Technology	1,381,867	Comparative approach	EBITDA/(multiplier)	+/- 5%	69,093
Other	4,199,120	-	-	-	-
Total	**58,607,532**				

32 Fair Value of Financial Instruments, continued

The table below demonstrates valuation techniques and inputs used in fair value measurement for level 3 measurements of other financial assets at fair value through profit or loss, and sensitivity of measurement to changes in inputs as at 31 December 2017:

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	13,426,477	Cost approach	Adjustment to NAV	+/- 5%	671,324
	2,531,206	Cost approach	Adjustment to NAV	+/- 5%	126,560
	2,186,141	Cost approach	Adjustment to NAV	+/- 5%	109,307
	205,101	Cost approach	Adjustment to NAV	+/- 5%	10,255
Unconventional energy	5,192,332	Cost approach	Adjustment to NAV	+/- 5%	259,617
	346,840	Cost approach	Adjustment to NAV	+/- 5%	17,342
	66,276	Cost approach	Adjustment to NAV	+/- 5%	3,314
	55,090	Income approach	Discounted CF	+/- 5%	2,755
Transportation and logistics services	2,888,487	Income approach	Discounted CF	+/- 5%	144,424
	2,587,057	Cost approach	Adjustment to NAV	+/- 5%	129,353
	1,964,841	Cost approach	Adjustment to NAV	+/- 5%	98,242
	801,721	Cost approach	Adjustment to NAV	+/- 5%	40,086
	275,401	Income approach	Discounted CF	+/- 5%	13,770
Manufacturing	3,723,791	Income approach	Discounted CF	+/- 5%	186,190
	3,614,007	Income approach	Discounted CF	+/- 5%	180,700
	898,188	Cost approach	Adjustment to NAV	+/- 5%	44,909
	450,101	Income approach	Discounted CF	+/- 5%	22,505
	168,119	Cost approach	Adjustment to NAV	+/- 5%	8,406
Natural resources	3,413,610	Income approach	Discounted CF	+/- 5%	170,681
Medical diagnostics	939,049	Cost approach	Adjustment to NAV	+/- 5%	46,952
	888,318	Cost approach	Adjustment to NAV	+/- 5%	44,416
	661,461	Cost approach	Adjustment to NAV	+/- 5%	33,073
	537,526	Cost approach	Adjustment to NAV	+/- 5%	26,876
	477,060	Cost approach	Adjustment to NAV	+/- 5%	23,853

32 Fair Value of Financial Instruments, continued

Industry in which company operates	Fair value of Holding's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	2,990,970	Cost approach	Adjustment to NAV	+/- 5%	149,549
	1,574,794	Cost approach	Adjustment to NAV	+/- 5%	78,740
Property management and construction materials	149,556	Cost approach	Adjustment to NAV	+/- 5%	7,478
Electrical engineering industry	80,450	Comparative approach	EBITDA/(multiplier)	+/- 5%	4,023
Financial services	1,020,584	Cost approach	Adjustment to NAV	+/- 5%	51,029
	575,706	Comparative approach	EBITDA/(multiplier)	+/- 5%	28,785
	551,543	Comparative approach	EBITDA/(multiplier)	+/- 5%	27,577
	212,957	Cost approach	Adjustment to NAV	+/- 5%	10,648
Entertainment	1,814,089	Comparative approach	EBITDA/(multiplier)	+/- 5%	90,704
	740,265	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,013
	306,345	Comparative approach	EBITDA/(multiplier)	+/- 5%	15,317
Telecom services	1,956,392	Cost approach	Adjustment to NAV	+/- 5%	97,820
	251,020	Cost approach	Adjustment to NAV	+/- 5%	12,551
Technology	1,544,044	Comparative approach	EBITDA/(multiplier)	+/- 5%	77,202
Other	6,294,845	-	-	-	-
Total	**68,361,760**				

32 Fair Value of Financial Instruments, continued

The table below sets out information about significant unobservable inputs used at the end of the period in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 30 June 2018 (unaudited):

(in thousands of Kazakhstani tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity of fair value measurement to unobservable inputs**
Embedded derivative	3,249,436	Option model	Volatility of foreign exchange rate	USD: 4.59% RUB: 8.24%	Significant increase in volatility would result in higher fair value
Investment securities measured at fair value	1,668,146	Discounted cash flows	Discount rate	20.03%	Significant increase in discount rate would result in lower fair value

The table below sets out information about significant unobservable inputs used at the year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Embedded derivative	4,603,837	Option model	Volatility of foreign exchange rate	USD 4.40%, RUR: 6.30%	Significant increase in volatility would result in higher fair value
Financial derivatives	48,566,034	Discounted cash flows	Early repayment option	1 month / 7 months	Longer prepayment period would result in higher fair value of derivative/shorter prepayment period would result in lower fair values of derivative

The above tables discloses sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result.

32 Fair Value of Financial Instruments, continued

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the six-month period ended 30 June 2018 is as follows:

(in thousands of Kazakhstani tenge)	Financial instruments at fair value through profit or loss	Investment securities measured at fair value	Embedded derivatives	Derivative financial instruments
Fair value as at 1 January 2018	**68,361,760**	**1,723,596**	**4,603,837**	**48,566,034**
Gains or losses recognised in profit or loss for the period, unaudited	(3,960,383)	18,860	(1,611,871)	(2,692,538)
Purchases, net, unaudited	982,058	-	269,951	-
Sales, unaudited	(6,645,739)	-	-	-
Repayments, unaudited	(130,164)	(74,310)	(12,481)	(45,873,496)
Fair value at 30 June 2018, unaudited	**58,607,532**	**1,668,146**	**3,249,436**	**-**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the six-month period ended 30 June 2017 is as follows:

(in thousands of Kazakhstani tenge)	Financial instruments at fair value through profit or loss	Embedded derivatives	Derivative financial instruments
Fair value as at 1 January 2017	**64,123,485**	**2,804,925**	**50,905,329**
Gains or losses recognised in profit or loss for the period, unaudited	1,075,242	(479,870)	(3,699,248)
Purchases, net, unaudited	2,756,796	2,204,529	-
Sales, unaudited	(999,793)	-	-
Repayments, unaudited	-	(1,439)	-
Fair value at 30 June 2017, unaudited	**66,955,730**	**4,528,145**	**47,206,081**

32 Fair Value of Financial Instruments, continued

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 30 June 2018 are as follows:

(In thousands of Kazakhstani Tenge)	Unaudited Level 1	Unaudited Level 2	Unaudited Level 3	Unaudited Total	Unaudited Carrying amount
ASSETS					
Cash and cash equivalents	-	619,116,656	-	619,116,656	619,116,656
Loans to banks and financial institutions	-	259,921,088	4,540,752	264,461,840	295,164,183
Deposits	-	170,596,476	-	170,596,476	170,970,829
Loans to customers	-	1,891,465,486	118,576,800	2,010,042,286	2,126,504,544
Investment securities measured at amortised cost	92,811,734	16,898,258	8,453,963	118,163,955	123,394,913
Finance lease receivables (less embedded derivatives)	-	203,098,682	198,531	203,297,213	251,763,003
Other financial assets	-	20,422,777	9,859,464	30,282,241	30,350,947
TOTAL	**92,811,734**	**3,181,519,423**	**141,629,510**	**3,415,960,667**	**3,617,265,075**
LIABILITIES					
Customer accounts	-	576,401,811	-	576,401,811	576,401,811
Debt securities issued	649,031,356	600,295,051	-	1,249,326,407	1,243,465,189
Subordinated debt	-	-	1,161,658	1,161,658	5,864,338
Loans from banks and other financial institutions	-	863,780,676	39,083,135	902,863,811	926,810,968
Loans from the Government of the Republic of Kazakhstan	-	196,255,072	-	196,255,072	207,981,907
TOTAL	**649,031,356**	**2,236,732,610**	**40,244,793**	**2,926,008,759**	**2,960,524,213**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2017 are as follows:

(In thousands of Kazakhstani Tenge)	Level 1	Level 2	Level 3	Total	Carrying amount
ASSETS					
Cash and cash equivalents	-	672,093,044	-	672,093,044	672,098,266
Loans to banks and financial institutions	-	249,351,765	1,860,395	251,212,160	284,059,767
Deposits	-	196,098,624	-	196,098,624	196,098,624
Loans to customers	-	1,728,991,075	233,565,647	1,962,556,722	2,040,393,563
Finance lease receivables (less embedded derivatives)	-	169,134,275	170,435	169,304,710	226,048,910
Other financial assets		21,785,470	5,500,843	27,286,313	21,516,077
TOTAL	**-**	**3,037,454,253**	**241,097,320**	**3,278,551,573**	**3,440,215,207**
LIABILITIES					
Customer accounts	-	539,309,735	-	539,309,735	539,309,735
Debt securities issued	627,834,554	465,503,028	-	1,093,337,582	1,125,979,806
Subordinated debt	-	-	3,216,978	3,216,978	5,381,557
Loans from banks and other financial institutions	-	987,064,773	33,270,844	1,020,335,617	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	-	172,907,100	-	172,907,100	180,029,399
TOTAL	**627,834,554**	**2,164,784,636**	**36,487,822**	**2,829,107,012**	**2,860,889,136**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate derivative financial instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

33 Presentation of Financial Instruments by Measurement Category

As at 30 June 2018 and 31 December 2017, all financial liabilities of the Holding, other than derivative financial instruments, are carried at amortised cost. Derivative financial instruments are designated at fair value through profit or loss.

The following table provides a reconciliation of financial assets with these measurement categories as at 30 June 2018 (unaudited):

(In thousands of Kazakhstani Tenge)	**At amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total carrying value**	**Fair value**
Financial assets measured at fair value					
Financial instruments at fair value through profit or loss	-	85,669,097	-	85,669,097	85,669,097
Loans to customers	-	42,739,533	-	42,739,533	42,739,533
Investment securities	-	137,523,055	416,570,837	554,093,892	554,093,892
Embedded derivatives	-	3,249,436	-	3,249,436	3,249,436
	-	**269,181,121**	**416,570,837**	**685,751,958**	**685,751,958**
Financial assets not measured at fair value					
Cash and cash equivalents	619,116,656	-	-	619,116,656	619,116,656
Loans to banks and financial institutions	295,164,183	-	-	295,164,183	264,461,840
Deposits	170,970,829	-	-	170,970,829	170,596,476
Loans to customers	2,126,504,544	-	-	2,126,504,544	2,010,042,286
Investment securities	123,394,913	-	-	123,394,913	118,163,955
Finance lease receivables (less embedded derivatives)	251,763,003	-	-	251,763,003	203,297,213
Other financial assets	30,350,947	-	-	30,350,947	30,282,241
	3,617,265,075	**-**	**-**	**3,617,265,075**	**3,415,960,667**
TOTAL FINANCIAL ASSETS	**3,617,265,075**	**269,181,121**	**416,570,837**	**4,303,017,033**	**4,101,712,625**

33 Presentation of Financial Instruments by Measurement Category, continued

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Loans and receivables**	**Available for sale assets**	**Trading assets**	**Derivative financial instruments**	**Assets designated at fair value through profit or loss**	**Finance lease receivables**	**Total**
ASSETS							
Cash and cash equivalents	672,098,266	-	-	-	-	-	672,098,266
Financial instruments at fair value through profit or loss	-	-	5,235,152	73,807,033	68,361,760	-	147,403,945
Loans to banks and financial institutions	284,059,767	-	-	-	-	-	284,059,767
Deposits	196,098,624	-	-	-	-	-	196,098,624
Loans to customers	2,040,393,563	-	-	-	-	-	2,040,393,563
Investment securities available for sale	-	561,438,865	-	-	-	-	561,438,865
Finance lease receivables (less embedded derivatives)	-	-	-	-	-	226,048,910	226,048,910
Other financial assets	28,711,793	-	-	-	-	-	28,711,793
TOTAL FINANCIAL ASSETS	**3,221,362,013**	**561,438,865**	**5,235,152**	**73,807,033**	**68,361,760**	**226,048,910**	**4,156,253,733**

34 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Government of the Republic of Kazakhstan has significant influence over the Holding since it is the ultimate controlling party. The Holding has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

At 30 June 2018, the outstanding balances with related parties were as follows:

(in thousands of Kazakhstani tenge)	**Ultimate parent organisation, unaudited**	**Associates and joint ventures, unaudited**	**Transactions with other companies and entities, unaudited**
ASSETS			
Cash and cash equivalents	64,206,327	-	268,072,122
Loans to customers	-	-	789,668,446
Investment securities measured at fair value through other comprehensive income	266,008,856	-	83,134,681
Investment securities measured at fair value through profit or loss	755,715	-	119,424,765
Investment securities measured at amortised cost	9,450,544	-	100,038,629
Finance lease receivables	-	-	29,578,522
Investments in associates and joint ventures	-	1,934,687	
Current income tax prepayment	-	-	21,385,343
Deferred income tax asset	-	-	4,321,597
Non-current assets held for sale	-	-	143,684
Other financial and non-financial assets	-	-	7,452,840
LIABILITIES			
Customer accounts	-	-	9,295,336
Debt securities issued	-	-	476,941,556
Subordinated debt	-	-	5,864,338
Loans from banks and other financial institutions	-	-	82,518,537
Loans from Government of the Republic of Kazakhstan	207,981,907	-	-
Current income tax liability	-	-	4,904,154
Deferred income tax liability	-	-	22,566,564
Other financials and non-financial liabilities	12,008,484	-	405,196,329
Credit related commitments (undrawn credit lines)	-	-	3,333,523

The income and expense items with related parties for the six-month period ended 30 June 2018 were as follows:

(in thousands of Kazakhstani tenge)	**Ultimate parent organisation, unaudited**	**Associates and joint ventures, unaudited**	**Transactions with other companies and entities, unaudited**
Total interest income	8,884,263	-	42,646,706
Interest expense	(4,738,915)	-	(22,133,676)
Provision for loan portfolio impairment	-	-	(7,372,434)
Fee and commission income	-	-	210,350
Fee and commission expense	-	-	(14,159)
Net gain/(loss) from other financial assets at fair value through profit or loss	39,136	110,535	(3,059,269)
Net foreign exchange gain	-	-	28,686,538
Other operating income	2,629,427	-	9,358,559
Administrative expenses	-	(268)	(1,747,476)
Share of financial result of associates	-	9,298	-
Income tax expense	-	-	(8,464,015)

34 Related Party Transactions, continued

At 31 December 2017, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
ASSETS			
Cash and cash equivalents	110,459,969	-	243,062,127
Financial instruments at fair value through profit or loss	1,479,517	-	50,909,394
Loans to customers	-	-	723,811,315
Investment securities available for sale	253,556,651	1,032,807	230,244,569
Finance lease receivables	-	-	24,978,255
Investment in associates and joint ventures	-	801,482	-
Current income tax prepayment	-	-	24,073,618
Deferred income tax asset	-	-	4,347,437
Non-current assets held for sale	-	-	127,485
Other financial and non-financial assets	-	-	11,720,238
LIABILITIES			-
Customer accounts	-	-	12,258,482
Debt securities issued	-	-	466,478,087
Subordinated debt	-	-	5,381,557
Loans from banks and other financial institutions	-	-	81,540,143
Loans from Government of the Republic of Kazakhstan	180,029,399	-	-
Deferred income tax liability	-	-	28,421,885
Other financial and non-financial liabilities	1,758,695	-	431,878,900
Credit related commitments (undrawn credit lines)	-	-	14,265,459

The income and expense items with related parties for the six-month period ended 30 June 2017 were as follows:

(in thousands of Kazakhstani tenge)	**Ultimate parent organisation, unaudited**	**Associates and joint ventures, unaudited**	**Transactions with other companies and entities, unaudited**
Interest income	7,857,072	-	34,118,944
Interest expense	(3,802,587)	-	(10,890,807)
Provision for loan portfolio impairment	-	-	(679,323)
Fee and commission income	-	-	33,072
Fee and commission expense	-	-	(627)
Net (loss)/gain from other financial assets at fair value through profit or loss	90,009	(33,655)	(6,616,254)
Net foreign exchange loss		-	(13,226,352)
Net gain on investment securities available for sale		-	904,498
Other operating income	71,957,365	-	1,332,941
Administrative expenses	-	-	(1,106,389)
Share of financial result of associates	-	(79,622)	-
Income tax expense	-	-	(3,670,487)

34 Related Party Transactions, continued

Key management compensation is presented below:

(In thousands of Kazakhstani tenge)	**Six-month period ended 30 June 2018, unaudited**	**Six-month period ended 30 June 2017, unaudited**
Short-term benefits:		
- Salaries	1,158,440	926,567
- Payment/(reimbursement) of short-term bonuses	100,510	150,493
- Benefits in-kind	11,755	8,133
- Other	-	13,852
Post-employment benefits:		
- Termination benefits	2,774	9,455
Other long-term employee benefits:		
- Long-term bonus scheme	43,485	28,891
Total	**1,316,964**	**1,137,391**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

35 Subsequent Events

In July 2018, in compliance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan No.01-7.16 dated 14 November 2014 (considering amendments and additions as of 7 August 2017), the Holding issued coupon bonds for Tenge 10,600,000 thousand with interest rate of 0.15% p.a. and maturity in 2026, to finance purchase of debt securities issued by the local executive authorities of the regions (cities of Astana and Almaty) for the purpose of construction of the housing real estate.

In August 2018, in accordance with the Law of the Republic of Kazakhstan “On Republican Budget for 2018-2020”, the Holding received a loan of Tenge 12,000,000 thousand, at the interest rate of 0.10% p.a., with maturity of 20 years, from the Republican budget, to finance projects under the State Program of the Industrial and Innovative Development of the Republic of Kazakhstan in 2015-2019.

In August 2018, in accordance with the Law of the Republic of Kazakhstan “On Republican Budget for 2018-2020”, the Holding received a loan of Tenge 13,000,000 thousand, at the interest rate of 0.10% p.a., with maturity of 15 years, from the Republican budget, to finance projects under Nurly-Zhol State Program for Infrastructure Development in 2015-2019.