ForteBank Joint Stock Company

Interim condensed consolidated financial statements

30 June 2018

CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018

(millions of tenge)

	Note	For the three months ended 30 June 2018 (unaudited)	2017 (unaudited)	For the six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Interest revenue calculated using the effective interest rate	4	**30,172**	24,627	**60,111**	48,823
Other interest revenue	4	**98**	4,945	**174**	9,659
Interest expense	4	**(18,225)**	(18,918)	**(36,797)**	(36,701)
Net interest income		**12,045**	10,654	**23,488**	21,781
Fee and commission income	5	**4,841**	2,796	**8,256**	5,275
Fee and commission expense		**(1,289)**	(809)	**(2,401)**	(1,466)
Net gains/(losses) from financial instruments at fair value through profit or loss		**24**	2,026	**17**	(1,707)
Net gains from derecognition of investment securities at fair value through other comprehensive income		**–**	–	**872**	–
Net gains/(losses) from foreign currencies	6	**967**	(1,636)	**925**	1,547
Other operating income, net		**336**	275	**502**	242
Non-interest income		**4,879**	2,652	**8,171**	3,891
Impairment and allowance (expenses)/reversal	7	**(910)**	1,543	**(391)**	2,600
General and administrative expenses	8	**(8,639)**	(9,017)	**(17,447)**	(18,174)
Non-interest expense		**(9,549)**	(7,474)	**(17,838)**	(15,574)
Profit before corporate income tax expense		**7,375**	5,832	**13,821**	10,098
Corporate income tax expense	9	**(1,440)**	(2,065)	**(2,837)**	(3,965)
Profit for the period		**5,935**	3,767	**10,984**	6,133
Attributable to:					
- shareholders of the Bank		**5,905**	3,707	**10,942**	6,054
- non-controlling interests		**30**	60	**42**	79
		5,935	3,767	**10,984**	6,133
Other comprehensive income					
Other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods:					
Net change in the fair value of available-for-sale investment securities		**–**	748	**–**	852
Net change in the fair value of debt instruments at fair value through other comprehensive income		**(1,245)**	–	**(1,665)**	–
Change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		**310**	–	**450**	–
Reclassification of cumulative gain/(loss) on derecognition of debt instruments at fair value through other comprehensive income to the income statement		**–**	–	**(872)**	–
Other comprehensive (loss)/income for the period, net of tax		**(935)**	748	**(2,087)**	852
Total comprehensive income for the period		**5,000**	4,515	**8,897**	6,985
Attributable to:					
- shareholders of the Bank		**4,970**	4,455	**8,855**	6,906
- non-controlling interests		**30**	60	**42**	79
		5,000	4,515	**8,897**	6,985
Basic and diluted earnings per share (in tenge)	21	**0.06**	0.04	**0.12**	0.07

Signed and authorised for release on behalf of the Management Board of the Bank:

Guram Andronikashvili
Chairman of the Management Board

Yetekbayeva Yerkin Altynbekovna
Chief Accountant

13 August 2018

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

(millions of tenge)

	Note	*30 June 2018 (unaudited)*	*31 December 2017*
Assets			
Cash and cash equivalents	10	**187,149**	231,820
Amounts due from financial institutions	11	**7,923**	6,393
Trading securities	12	**8,834**	290,919
Loans to customers	13	**672,741**	671,851
Investment securities	14	**368,644**	82,398
Property and equipment		**48,578**	49,009
Intangible assets		**4,199**	3,741
Deferred income tax assets	9	**3,980**	6,740
Other assets	15	**106,955**	101,769
Total assets		**1,409,003**	1,444,640
Liabilities			
Current accounts and deposits of customers	16	**988,638**	981,225
Amounts due to banks and other financial institutions	17	**73,277**	75,894
Amounts payable under repurchase agreements		**11,062**	36,639
Debt securities issued	18	**121,090**	125,121
Deferred income tax liabilities	9	**183**	122
Subordinated debt	19	**22,647**	22,740
Other liabilities		**10,232**	8,698
Total liabilities		**1,227,129**	1,250,439
Equity			
Share capital	20	**331,522**	331,522
Additional paid-in capital		**21,116**	21,116
Fair value reserve		**1,754**	598
Accumulated losses		**(173,201)**	(159,676)
Total equity attributable to shareholders of the Bank		**181,191**	193,560
Non-controlling interests		**683**	641
Total equity		**181,874**	194,201
Total equity and liabilities		**1,409,003**	1,444,640

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

(millions of tenge)

		For the six months ended 30 June	
	Note	*2018 (unaudited)*	*2017 (unaudited)*
Cash flows from operating activities			
Interest income received		**55,431**	43,723
Interest expense paid		**(33,864)**	(33,713)
Fee and commission income received		**8,020**	5,009
Fee and commission expense paid		**(2,401)**	(1,466)
Net realised gains/(losses) from financial instruments at fair value through profit or loss		**26**	(230)
Net realised gains/(losses) on dealing in foreign currencies		**182**	(1,027)
Other operating income received		**502**	242
General and administrative expenses paid		**(17,380)**	(18,214)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		**(1,483)**	3,620
Trading securities		**(1,934)**	(71,446)
Loans to customers		**(14,611)**	(30,179)
Other assets		**3,212**	3,673
(Decrease)/increase in operating liabilities			
Current accounts and deposits of customers		**(4,967)**	93,049
Amounts due to banks and other financial institutions		**(2,797)**	4,922
Amounts payable under repurchase agreements		**(25,549)**	21,866
Other liabilities		**587**	78
Net cash flows (used in) / from operating activities before income tax		**(37,026)**	19,907
Corporate income tax paid		**(17)**	(24)
Cash (used in) / from operating activities		**(37,043)**	19,883
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		**(756,867)**	–
Redemption of investment securities at fair value through other comprehensive income		**757,920**	–
Purchase of available-for-sale investment securities		**–**	(41,553)
Proceeds from redemption of available-for-sale investment securities		**–**	3,661
Purchase of held-to-maturity investment securities		**–**	(20,687)
Purchase of property and equipment and intangible assets		**(2,405)**	(2,826)
Proceeds from sale of property and equipment and intangible assets		**239**	79
Cash used in investing activities		**(1,113)**	(61,326)

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Cash flows from financing activities			
Proceeds from return of instruments unclaimed by creditors		**1,647**	–
Repurchase of own shares	20	**–**	(510)
Dividends paid to shareholders of the Bank	20	**(7,748)**	(4,571)
Proceeds from placement of debt securities		**20**	10
Repurchase of debt securities issued		**(3)**	–
Redemption of debt securities issued		**(4,068)**	(3,946)
Cash used in financing activities		**(10,152)**	(9,017)
Net change in cash and cash equivalents		**(48,308)**	(50,460)
Effect of exchange rate changes on cash and cash equivalents		**3,639**	(5,394)
Cash and cash equivalents, beginning	10	**231,820**	177,241
Cash and cash equivalents, ending	10	**187,151**	121,387
Non-monetary transactions			
Withdrawal of collateral on loans to customers	13	**9,005**	10,745

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

(millions of tenge)

	Equity attributable to shareholders of the Bank						
	Share capital	*Additional paid-in capital*	*Fair value reserve*	*Accumulated losses*	*Total*	*Non-controlling interest*	*Total equity*
At 1 January 2018	**331,522**	**21,116**	**598**	**(159,676)**	**193,560**	**641**	**194,201**
Impact of adopting IFRS 9 *(Note 2)* (unaudited)	**–**	**–**	**3,243**	**(16,719)**	**(13,476)**	**–**	**(13,476)**
Restated balance in accordance with IFRS 9 at the beginning of the period (unaudited)	**331,522**	**21,116**	**3,841**	**(176,395)**	**180,084**	**641**	**180,725**
Profit for the period (unaudited)	**–**	**–**	**–**	**10,942**	**10,942**	**42**	**10,984**
Other comprehensive income for the period (unaudited)	**–**	**–**	**(2,087)**	**–**	**(2,087)**	**–**	**(2,087)**
Total comprehensive income for the period (unaudited)	**–**	**–**	**(2,087)**	**10,942**	**8,855**	**42**	**8,897**
Transactions with owners recorded directly within equity							
Distribution of dividends *(Note 20)* (unaudited)	**–**	**–**	**–**	**(7,748)**	**(7,748)**	**–**	**(7,748)**
At 30 June 2018 (unaudited)	**331,522**	**21,116**	**1,754**	**(173,201)**	**181,191**	**683**	**181,874**

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Equity attributable to shareholders of the Bank						
	Share capital	***Additional paid-in capital***	***Revaluation reserve for available-for-sale securities***	***Accumulated losses***	***Total***	***Non-controlling interests***	***Total equity***
At 1 January 2017	332,094	21,116	(1,036)	(174,797)	177,377	545	177,922
Profit for the period (unaudited)	–	–	–	6,054	6,054	79	6,133
Other comprehensive income for the period (unaudited)			852	–	852	–	852
Total comprehensive income for the period (unaudited)	–	–	852	6,054	6,906	79	6,985
Transactions with owners recorded directly in equity							
Repurchase of own shares *(Note 20)* (unaudited)	(510)	–	–	–	(510)	–	(510)
Distribution of dividends *(Note 20)* (unaudited)	–	–	–	(4,571)	(4,571)	–	(4,571)
At 30 June 2017 (unaudited)	331,584	21,116	(184)	(173,314)	179,202	624	179,826

The accompanying separate notes on pages 7 to 45 are an integral part of these interim condensed consolidated financial statements.

(millions of tenge)

1. General information

Corporate structure and activities

These interim condensed consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the "Bank") and its subsidiaries (together hereinafter, the "Group").

The Bank was established in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank's head office: 8/1, Dostyk Str., 010017, Astana, Republic of Kazakhstan. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter, the "NBRK"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the NBRK 27 February 2015.

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some debt securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter, the "KASE").

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 30 June 2018 and 31 December 2017, depositors can receive limited insurance coverage for deposits, depending on the currency of the deposit: in tenge – up to KZT 10 million, in foreign currencies – up to KZT 5 million.

As at 30 June 2018 and 31 December 2017, the Group includes the following subsidiaries:

			Ownership, %	
Name	***Country of incorporation***	***Principal activities***	***30 June 2018 (unaudited)***	***31 December 2017***
ForteLeasing JSC (formerly, Temirleasing JSC)	Republic of Kazakhstan	Leasing operations	**80.6**	80.6
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0

Shareholders

As at 30 June 2018, B.Zh. Utemuratov owns 88.45% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (as at 31 December 2017: 88.23%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

The interim condensed consolidated financial statements are presented in millions of Kazakh tenge ("tenge" or "KZT"), unless otherwise is stated.

As at 30 June 2018, the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 341.08 for 1 US dollar (as at 31 December 2017: KZT 332.33 for USD 1).

(millions of tenge)

2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the Bank and the majority of its subsidiaries is tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

The Kazakhstani tenge is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The nature and the effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed below.

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, will be measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL. Embedded derivatives are no longer separated from a host financial asset.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan impairment by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

(millions of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Group calculates ECL based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	*The Probability of Default (PD)* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	*The Exposure at Default (EAD)* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	*The Loss Given Default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Group considers an exposure to have significantly increased in credit risk since initial recognition when impairment indicators are identified, such as restructuring, overdue for more than 30 days and other confirmed instances, which will lead to a breach of payment obligations under the loan agreement The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments, moving borrower to Heritage portfolio or loan is being restructured due to deterioration of financial condition of the borrower.

The Group calculates ECLs on an individual basis for the following assets: all stage 3 assets, the corporate lending portfolio, the treasury and interbank relationships (due from banks, REPO, debt investment securities at amortised cost/FVOCI), POCI resulted from restructuring. The Group calculates ECL on a collective basis for all other classes of assets which it groups into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans.

(millions of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(c) Effect of adopting IFRS 9

The following tables set out the impact of adopting IFRS 9 on the statement of financial position and accumulated losses as at 1 January 2018 including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement		Reclassi-	Remeasu-rement due	IFRS 9	
Financial assets	***Ref***	***Category***	***Amount***	***fication***	***to ECL***	***Amount***	***Category***
Cash and cash equivalents		L&R[1]	231,820	–	(1)	231,819	Amortised cost
Amounts due from financial institutions		L&R	6,393	–	(71)	6,322	Amortised cost
Trading securities		FVPL	290,919	(284,278)	–	6,641	FVPL
To category: investment securities measured at FVOCI	A			284,278			
Loans to customers		L&R	671,851	–	(12,897)	658,954	Amortised cost
Investment securities, including those pledged under repurchase agreements, at FVOCI		AFS[2]	58,559	284,278	–	342,837	FVOCI (debt instruments)
From category: trading securities	A			(284,278)			
Held-to-maturity investment securities		HTM[3]	23,839	–	(164)	23,675	Amortised cost
Total assets			**1,444,640**	**–**	**(13,133)**	**1,431,507**	
Non-financial liabilities							
Other liabilities (provisions)			8,698	–	343	9,041	
Total liabilities			**1,250,439**	**–**	**343**	**1,250,782**	

[1] L&R – loans and receivables.

[2] AFS – available-for-sale.

[3] HTM – held-to-maturity.

A As at 1 January 2018, the Group has classified a significant portion of its previous trading securities as debt instruments at FVOCI. These instruments met the SPPI criterion, were not actively traded and were held with the intention to collect cash flows or to sell.

(millions of tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(c) Effect of adopting IFRS 9 (continued)

The impact of transition to IFRS 9 on reserves and accumulated losses is as follows:

	Reserves and accumulated losses
Fair value reserve	
Balance as at the end of the period under IAS 39 (31 December 2017)	**598**
Reclassification of debt investment securities from trading to FVOCI	2,955
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	288
Deferred tax in relation to the above	–
Restated opening balance in accordance with IFRS 9 (1 January 2018)	**3,841**
Accumulated losses	
Balance as at the beginning of the period under IAS 39 (31 December 2017)	**(159,676)**
Re-measurement impact of reclassifying trading securities to FVOCI	(2,955)
Recognition of IFRS 9 ECLs including those measured at FVOCI	(13,764)
Deferred tax in relation to the above	–
Restated balance in accordance with IFRS 9 (1 January 2018)	**(176,395)**
Total change in equity due to adopting IFRS 9	**(13,476)**

The following table reconciles the aggregate opening loan loss allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions Contingent Liabilities and Contingent Assets* to the ECL allowances under IFRS 9.

	Loan loss allowance / provision under IAS 39 / IAS 37 at 31 December 2017	*Remeasu-rement*	*ECL under IFRS 9 at 1 January 2018*
Impairment allowance for			
Cash and cash equivalents	–	**(1)**	**(1)**
Amounts due from financial institutions	(541)	**(71)**	**(612)**
Loans to customers at amortised cost	(52,783)	**(12,897)**	**(65,680)**
Held-to-maturity investment securities per IAS 39 / Investment securities at amortised cost under IFRS 9	–	**(164)**	**(164)**
Available-for-sale debt investment securities per IAS 39 / debt financial assets at FVOCI under IFRS 9	–	**(288)**	**(288)**
	(53,324)	**(13,421)**	**(66,745)**
Financial guarantees and letters of credit	–	**(322)**	**(322)**
Credit line commitments	–	**(21)**	**(21)**
	–	**(343)**	**(343)**
	(53,324)	**(13,764)**	**(67,088)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Group's revenue including interest income, gains/(losses) on operations with securities, lease income which are covered by IFRS 9 *Financial Instruments* and IAS 17 *Leases*. As a result, the majority of the Group's income are not impacted by the adoption of this standard.

(millions of tenge)

3. Significant accounting judgements and estimates

Estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS 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 outcomes could differ from these estimates.

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The management of the Bank uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market conditions.

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the expected credit losses in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 30 June 2018 and 31 December 2017 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Assessment of recoverability of deferred income tax assets requires to use subjective judgements by the Group's management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred income tax assets as at 30 June 2018 are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised, and deferred income tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

(millions of tenge)

4. Net interest income

Interest income and expense comprise:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	*2017 (unaudited)*	*2018 (unaudited)*	*2017 (unaudited)*
Interest revenue calculated using the effective interest rate				
Loans to customers	**22,906**	22,866	**45,681**	45,987
Debt investment securities at FVOCI	**6,574**	–	**13,123**	–
Amounts due from financial institutions	**326**	361	**636**	814
Investment securities at amortised cost (previously classified as held-to-maturity)	**278**	146	**550**	146
Amounts receivable under reverse repurchase agreements	**88**	16	**121**	90
Available-for-sale investment securities	**–**	1,238	**–**	1,786
	30,172	24,627	**60,111**	48,823
Other interest income				
Trading securities	**98**	4,945	**174**	9,659
	30,270	29,572	**60,285**	58,482
Interest expense				
Current accounts and deposits of customers	**(13,606)**	(14,194)	**(27,625)**	(27,415)
Debt securities issued	**(3,316)**	(3,437)	**(6,498)**	(6,873)
Amounts due to banks and other financial institutions	**(787)**	(815)	**(1,599)**	(1,483)
Subordinated debt	**(448)**	(448)	**(896)**	(896)
Amounts payable under repurchase agreements	**(68)**	(24)	**(179)**	(34)
	(18,225)	(18,918)	**(36,797)**	(36,701)
Net interest income	**12,045**	10,654	**23,488**	21,781

5. Fee and commission income

Fee and commission income is as follows:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	*2017 (unaudited)*	*2018 (unaudited)*	*2017 (unaudited)*
Card operations	**2,237**	844	**3,579**	1,540
Settlement transactions	**1,385**	881	**2,502**	1,817
Cash operations	**660**	467	**1,106**	829
Guarantees and letters of credits	**312**	269	**555**	458
Foreign currency transactions and transactions with securities	**45**	174	**120**	314
Trust management, custodial and other fiduciary services	**15**	18	**30**	36
Other	**187**	143	**364**	281
	4,841	2,796	**8,256**	5,275

6. Net gains/(losses) from foreign currencies

Net gains/(losses) from foreign currencies are presented as follows:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	*2017 (unaudited)*	*2018 (unaudited)*	*2017 (unaudited)*
Translation differences, net	**158**	(1,388)	**744**	2,571
Dealing transactions, net	**809**	(248)	**181**	(1,024)
	967	(1,636)	**925**	1,547

(millions of tenge)

7. Impairment and allowance (expenses)/reversal

Impairment and allowance (expenses)/reversal for the three months and six months ended 30 June 2018 are presented as follows:

	For the three months ended 30 June 2018 (unaudited)			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Amounts due from financial institutions	**(22)**	**–**	**–**	**(22)**
Loans to customers *(Note 13)*	**385**	**(527)**	**(409)**	**(551)**
Investment securities at amortised cost	**–**	**–**	**–**	**–**
Investment securities at FVOCI	**(310)**	**–**	**–**	**(310)**
Other assets	**–**	**–**	**(123)**	**(123)**
Financial guarantees, letters of credit and obligations to provide loans	**96**	**–**	**–**	**96**
	149	**(527)**	**(532)**	**(910)**

	For the six months ended 30 June 2018 (unaudited)			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Amounts due from financial institutions	**(10)**	**–**	**–**	**(10)**
Loans to customers *(Note 13)*	**(268)**	**4,206**	**(3,552)**	**386**
Investment securities at amortised cost	**(5)**	**–**	**–**	**(5)**
Investment securities at FVOCI	**(450)**	**–**	**–**	**(450)**
Other assets	**–**	**–**	**(408)**	**(408)**
Financial guarantees, letters of credit and obligations to provide loans	**96**	**–**	**–**	**96**
	(637)	**4,206**	**(3,960)**	**(391)**

Impairment and allowance (expenses)/gains for the three months and six months ended 30 June 2017 are presented as follows:

	For the three months ended 30 June 2017 (unaudited)	***For the six months ended 30 June 2017 (unaudited)***
Amounts due from financial institutions	(4)	(4)
Loans to customers *(Note 13)*	2,042	2,996
Other assets	(495)	(392)
	1,543	2,600

(millions of tenge)

8. General and administrative expenses

General and administrative expenses comprise the following:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	***2017 (unaudited)***	***2018 (unaudited)***	***2017 (unaudited)***
Personnel expenses and related taxes	**(4,558)**	(5,232)	**(9,503)**	(10,059)
Depreciation and amortisation	**(1,013)**	(1,033)	**(1,992)**	(2,008)
Taxes other than corporate income tax	**(725)**	(509)	**(1,352)**	(1,186)
Maintenance of buildings	**(330)**	(358)	**(915)**	(857)
Repair and maintenance	**(407)**	(378)	**(785)**	(748)
Rent *(Note 23)*	**(375)**	(400)	**(750)**	(851)
Advertising and marketing	**(333)**	(195)	**(499)**	(501)
Security	**(247)**	(243)	**(493)**	(496)
Telecommunication and information services	**(240)**	(290)	**(445)**	(566)
Encashment	**(98)**	(95)	**(193)**	(190)
Transportation	**(88)**	(87)	**(183)**	(187)
Business trips	**(61)**	(64)	**(114)**	(118)
Other professional services	**(41)**	(68)	**(59)**	(136)
Legal services	**(1)**	(60)	**(7)**	(82)
Other	**(122)**	(5)	**(157)**	(189)
	(8,639)	(9,017)	**(17,447)**	(18,174)

9. Corporate income tax expense

Corporate income tax expenses comprise the following:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	***2017 (unaudited)***	***2018 (unaudited)***	***2017 (unaudited)***
Current corporate income tax expenses	**–**	(24)	**–**	(24)
Deferred corporate income tax charge – origination and reversal of temporary differences	**(1,440)**	(2,041)	**(2,837)**	(3,941)
	(1,440)	(2,065)	**(2,837)**	(3,965)

As at 30 June 2018, deferred income tax assets amounted to KZT 3,980 million (as at 31 December 2017: KZT 6,740 million).

As at 30 June 2018, deferred income tax liabilities amounted to KZT 183 million (as at 31 December 2017: KZT 122 million).

(millions of tenge)

10. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Cash on hand	**39,433**	31,732
Cash on current accounts with the NBRK rated BBB-	**75,889**	144,748
Cash on current accounts with other banks:		
- rated from A- to A+	**10,714**	36,787
- rated from BBB- to BBB+	**1,403**	1,744
- rated from BB- to BB+	**789**	1,910
- rated below B+	**295**	191
- not rated	**54**	43
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less	**21,558**	–
Time deposits with the NBRK rated BBB- with contractual maturity of 90 days or less	**35,016**	8,006
Time deposits with other banks with contractual maturity of 90 days or less:		
- rated from BB- to BB+	**–**	6,659
- rated below B+	**2,000**	–
Cash and cash equivalents before allowance for impairment	**187,151**	231,820
Allowance for impairment	**(2)**	–
Cash and cash equivalents	**187,149**	231,820

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

As at 30 June 2018, the Group entered into reverse repurchase agreements at KASE. The subject of these agreements were treasury bills of the Ministry of Finance of the Republic of Kazakhstan with a fair value of KZT 22,821 million at 30 June 2018.

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and on accounts with the NBRK) equal or in excess of the average minimum requirements. As at 30 June 2018, combined minimum reserve requirements of the Bank amount to KZT 14,801 million (as at 31 December 2017: KZT 15,913 million).

Concentration of cash and cash equivalents

As at 30 June 2018 and 31 December 2017, the Group has accounts with one bank which balances exceed 10% of total cash and cash equivalents. The gross balances of accounts with this bank as at 30 June 2018 were KZT 110,905 million (as at 31 December 2017: KZT 152,754 million).

(millions of tenge)

11. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Current accounts with the NBRK rated BBB-, restricted in use	–	120
Loans and deposits with other banks:		
- rated from AA- to AA+	**17**	17
- rated from A- to A+	**2,863**	2,789
- rated below B+	**4,676**	3,041
- not rated	**987**	967
Amounts due from financial institutions before allowance for impairment	**8,543**	6,934
Allowance for impairment	**(620)**	(541)
Amounts due from financial institutions	**7,923**	6,393

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

Amounts on current accounts with the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending businesses.

Concentration of amounts due from financial institutions

As at 30 June 2018 and 31 December 2017, the Group has amounts due from three financial institutions which balances exceed 10% of total due from financial institutions. The total amount of such balances as at 30 June 2018 is KZT 7,453 million (as at 31 December 2017: KZT 5,747 million).

12. Trading securities

Trading securities comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Debt instruments		
Government bonds		
Treasury bills of the United States of America rated AAA	–	36,285
Notes of the NBRK rated BBB-	–	204,370
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	–	29,894
Total government bonds	–	270,549
Corporate bonds		
Rated from AA- to AA+	–	656
Rated from BBB- to BBB+	–	3,348
Total corporate bonds	–	4,004
Bonds of banks		
Rated from BBB- to BBB+	–	1,072
Rated from BB- to BB+	–	8,654
Rated below B+	**7,402**	5,196
Total bonds of banks	**7,402**	14,922
Equity instruments	**1,432**	1,444
	8,834	290,919

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies. Trading securities are not past due.

As at 31 December 2017, notes of the NBRK with a fair value of KZT 43,125 million are pledged as collateral under repurchase agreements entered into on KASE.

(millions of tenge)

13. Loans to customers

Loans to customers comprise:

	30 June 2018 (unaudited)				31 December
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*2017*
Individually significant corporate loans					
Loans to large entities	**183,871**	**24,419**	**46,468**	**254,758**	216,385
Total individually significant corporate loans	**183,871**	**24,419**	**46,468**	**254,758**	216,385
Individually insignificant corporate loans and loans to individuals					
Corporate loans	**76,519**	**8,498**	**23,187**	**108,204**	128,313
Mortgage loans	**37,850**	**4,314**	**45,488**	**87,652**	93,135
Consumer loans	**84,730**	**4,813**	**8,093**	**97,636**	84,161
Car loans	**1,352**	**25**	**1,935**	**3,312**	3,480
Credit cards	**985**	**108**	**144**	**1,237**	483
Other loans secured by collateral	**94,776**	**14,764**	**81,769**	**191,309**	198,677
Total individually insignificant corporate loans and loans to individuals	**296,212**	**32,522**	**160,616**	**489,350**	508,249
Loans to customers before allowance for impairment	**480,083**	**56,941**	**207,084**	**744,108**	724,634
Allowance for impairment	**(3,835)**	**(2,166)**	**(65,366)**	**(71,367)**	(52,783)
Loans to customers	**476,248**	**54,775**	**141,718**	**672,741**	671,851

Quality of individually significant corporate loans

Information on the quality of individually significant corporate loans at 30 June 2018 is given in the table below:

	30 June 2018 (unaudited)			
	Loans before allowance for impairment	*Allowance for impairment*	*Loans net of allowance for impairment*	*Allowance for impairment to loans before allowance for impairment, (%)*
Individually significant corporate loans				
Loans without individual signs of impairment	**183,871**	**(1,952)**	**181,919**	**1.06**
Impaired loans				
- not overdue	**30,149**	**(2,910)**	**27,239**	**9.65**
- overdue for less than 90 days	**5,054**	**(946)**	**4,108**	**18.72**
- overdue for 90 days to 360 days	**9,534**	**(5,589)**	**3,945**	**58.62**
- overdue for more than 360 days	**26,150**	**(18,014)**	**8,136**	**68.88**
Total impaired loans	**70,887**	**(27,459)**	**43,428**	**38.73**
Total individually significant corporate loans	**254,758**	**(29,411)**	**225,347**	**11.54**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually significant corporate loans (continued)

Information on the quality of individually significant corporate loans at 31 December 2017 is presented in the table below:

	Loans before allowance for impairment	*Allowance for impairment*	*Loans net of allowance for impairment*	*Allowance for impairment to loans before allowance for impairment, (%)*
Individually significant corporate loans				
Loans without individual signs of impairment	155,563	(273)	155,290	0.18
Impaired loans				
- not overdue	32,234	(2,406)	29,828	7.46
- overdue for less than 90 days	1,122	(728)	394	64.88
- overdue for 90 days to 360 days	7,275	(2,495)	4,780	34.30
- overdue for more than 360 days	20,191	(12,615)	7,576	62.48
Total impaired loans	60,822	(18,244)	42,578	30.00
Total individually significant corporate loans	216,385	(18,517)	197,868	8.56

A loan is impaired as a result of one or several events occurred after the initial recognition of a loan and having an impact on the estimated future cash flows on the loan that can be reliably estimated.

Analysis of movements in allowance for impairment

Movements in the allowance for impairment of corporate loans that are individually significant for three months and six months ended 30 June 2018 are as follows:

	For the three months ended 30 June 2018 (unaudited)			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(1,864)**	**(173)**	**(24,632)**	**(26,669)**
New assets originated or purchased	**44**	**–**	**–**	**44**
Assets derecognised or repaid (excluding write-offs)	**–**	**300**	**(53)**	**247**
Transfers to Stage 1	**(22)**	**22**	**–**	**–**
Transfers to Stage 2	**9**	**(1,013)**	**1,004**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(48)**	**(660)**	**(1,596)**	**(2,304)**
Recoveries	**–**	**–**	**(595)**	**(595)**
Write-offs	**–**	**–**	**999**	**999**
Effect from changes in exchange rates	**(71)**	**(9)**	**(1,053)**	**(1,133)**
At 30 June 2018	**(1,952)**	**(1,533)**	**(25,926)**	**(29,411)**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually significant corporate loans (continued)

Analysis of movements in allowance for impairment (continued)

	For the six months ended 30 June 2018 (unaudited)			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
At 1 January 2018	**(2,038)**	**(2,265)**	**(19,549)**	**(23,852)**
New assets originated or purchased	**(80)**	**–**	**–**	**(80)**
Assets derecognised or repaid (excluding write-offs)	**212**	**875**	**1,698**	**2,785**
Transfers to Stage 1	**(61)**	**61**	**–**	**–**
Transfers to Stage 2	**89**	**(3,797)**	**3,708**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(58)**	**3,530**	**(9,365)**	**(5,893)**
Recoveries	**–**	**–**	**(3,029)**	**(3,029)**
Write-offs	**–**	**–**	**999**	**999**
Effect from changes in exchange rates	**(16)**	**63**	**(388)**	**(341)**
At 30 June 2018	**(1,952)**	**(1,533)**	**(25,926)**	**(29,411)**

Movements in the allowance for impairment of corporate loans that are individually significant for three months and six months ended 30 June 2017 are as follows:

	For the three months ended 30 June 2017 (unaudited)
At 1 April 2017	(24,909)
Net reversal	2,005
Net recoveries	(1,421)
Effect from changes in exchange rates	(599)
At 30 June 2017	(24,924)

	For the six months ended 30 June 2017 (unaudited)
At 1 January 2017	(24,870)
Net reversal	2,259
Net recoveries	(2,588)
Effect from changes in exchange rates	275
At 30 June 2017	(24,924)

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals

The following table provides information on the credit quality of corporate loans that are individually insignificant and loans to individuals collectively assessed for impairment as at 30 June 2018:

	30 June 2018 (unaudited)			
	Loans before allowance for impairment	*Allowance for impairment*	*Loans net of allowance for impairment*	*Allowance for impairment to loans before allowance for impairment, (%)*
Individually insignificant corporate loans				
Not overdue	**84,493**	**(156)**	**84,337**	**0.18**
Overdue less than 30 days	**1,792**	**(13)**	**1,779**	**0.73**
Overdue from 30 to 89 days	**1,144**	**(55)**	**1,089**	**4.81**
Overdue from 90 to 179 days	**1,424**	**(30)**	**1,394**	**2.11**
Overdue from 180 to 360 days	**1,501**	**(32)**	**1,469**	**2.13**
Overdue more than 360 days	**17,850**	**(4,737)**	**13,113**	**26.53**
Total individually insignificant corporate loans	**108,204**	**(5,023)**	**103,181**	**4.64**
Mortgage loans				
Not overdue	**45,154**	**(869)**	**44,285**	**1.92**
Overdue less than 30 days	**2,855**	**(85)**	**2,770**	**2.98**
Overdue from 30 to 89 days	**1,535**	**(118)**	**1,417**	**7.69**
Overdue from 90 to 179 days	**619**	**(155)**	**464**	**25.04**
Overdue from 180 to 360 days	**792**	**(172)**	**620**	**21.72**
Overdue more than 360 days	**36,697**	**(9,730)**	**26,967**	**26.51**
Total mortgage loans	**87,652**	**(11,129)**	**76,523**	**12.70**
Consumer loans				
Not overdue	**84,821**	**(1,204)**	**83,617**	**1.42**
Overdue less than 30 days	**3,565**	**(408)**	**3,157**	**11.44**
Overdue from 30 to 89 days	**1,201**	**(289)**	**912**	**24.06**
Overdue from 90 to 179 days	**1,021**	**(850)**	**171**	**83.25**
Overdue from 180 to 360 days	**1,537**	**(1,271)**	**266**	**82.69**
Overdue more than 360 days	**5,491**	**(4,022)**	**1,469**	**73.23**
Total consumer loans	**97,636**	**(8,044)**	**89,592**	**8.24**
Car loans				
Not overdue	**1,362**	**(2)**	**1,360**	**0.15**
Overdue less than 30 days	**23**	**–**	**23**	**0.00**
Overdue from 30 to 89 days	**2**	**–**	**2**	**0.00**
Overdue from 90 to 179 days	**1**	**(1)**	**–**	**100.00**
Overdue from 180 to 360 days	**5**	**–**	**5**	**0.00**
Overdue more than 360 days	**1,919**	**(234)**	**1,685**	**12.09**
Total car loans	**3,312**	**(237)**	**3,075**	**7.10**
Credit cards				
Not overdue	**987**	**(242)**	**745**	**24.52**
Overdue less than 30 days	**76**	**(56)**	**20**	**73.68**
Overdue from 30 to 89 days	**30**	**(22)**	**8**	**73.33**
Overdue from 90 to 179 days	**10**	**(9)**	**1**	**90.00**
Overdue from 180 to 360 days	**18**	**(15)**	**3**	**83.33**
Overdue more than 360 days	**116**	**(93)**	**23**	**84.48**
Total credit cards	**1,237**	**(437)**	**800**	**35.73**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

	Loans before allowance for impairment	*Allowance for impairment*	*Loans net of allowance for impairment*	*Allowance for impairment to loans before allowance for impairment, (%)*
Other loans secured by collateral				
Not overdue	**105,220**	**(1,325)**	**103,895**	**1.26**
Overdue less than 30 days	**9,122**	**(85)**	**9,037**	**0.93**
Overdue from 30 to 89 days	**5,046**	**(100)**	**4,946**	**1.98**
Overdue from 90 to 179 days	**2,709**	**(180)**	**2,529**	**6.64**
Overdue from 180 to 360 days	**3,147**	**(410)**	**2,737**	**13.03**
Overdue more than 360 days	**66,065**	**(14,986)**	**51,079**	**22.69**
Total other loans secured by collateral	**191,309**	**(17,086)**	**174,223**	**8.93**
Total individually insignificant corporate loans and loans to individuals	**489,350**	**(41,956)**	**447,394**	**8.57**

The following table provides information on the credit quality of corporate loans that are not individually insignificant and loans to individuals collectively assessed for impairment as at 31 December 2017:

	31 December 2017			
	Loans before allowance for impairment	*Allowance for impairment*	*Loans net of allowance for impairment*	*Allowance for impairment to loans before allowance for impairment, (%)*
Individually insignificant corporate loans				
Not overdue	97,574	(498)	97,076	0.51
Overdue less than 30 days	1,225	(5)	1,220	0.41
Overdue from 30 to 89 days	1,131	(5)	1,126	0.44
Overdue from 90 to 179 days	1,706	(28)	1,678	1.64
Overdue from 180 to 360 days	1,505	(240)	1,265	15.95
Overdue more than 360 days	25,172	(5,876)	19,296	23.34
Total individually insignificant corporate loans	128,313	(6,652)	121,661	5.18
Mortgage loans				
Not overdue	49,133	(7)	49,126	0.01
Overdue less than 30 days	2,429	(3)	2,426	0.12
Overdue from 30 to 89 days	1,218	(1)	1,217	0.08
Overdue from 90 to 179 days	1,182	(464)	718	39.26
Overdue from 180 to 360 days	1,087	(227)	860	20.88
Overdue more than 360 days	38,086	(8,028)	30,058	21.08
Total mortgage loans	93,135	(8,730)	84,405	9.37
Consumer loans				
Not overdue	73,108	(213)	72,895	0.29
Overdue less than 30 days	2,919	(159)	2,760	5.45
Overdue from 30 to 89 days	1,017	(357)	660	35.10
Overdue from 90 to 179 days	1,033	(668)	365	64.67
Overdue from 180 to 360 days	1,733	(1,293)	440	74.61
Overdue more than 360 days	4,351	(3,258)	1,093	74.88
Total consumer loans	84,161	(5,948)	78,213	7.07

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

	31 December 2017			
	Loans before allowance for impairment	***Allowance for impairment***	***Loans net of allowance for impairment***	***Allowance for impairment to loans before allowance for impairment, (%)***
Car loans				
Not overdue	1,453	–	1,453	0.00
Overdue less than 30 days	18	–	18	0.00
Overdue from 30 to 89 days	–	–	–	0.00
Overdue from 90 to 179 days	6	–	6	0.00
Overdue from 180 to 360 days	11	(1)	10	9.09
Overdue more than 360 days	1,992	(123)	1,869	6.17
Total car loans	3,480	(124)	3,356	3.56
Credit cards				
Not overdue	347	(1)	346	0.29
Overdue less than 30 days	19	(1)	18	5.26
Overdue from 30 to 89 days	2	(1)	1	50.00
Overdue from 90 to 179 days	1	(1)	–	100.00
Overdue from 180 to 360 days	2	(1)	1	50.00
Overdue more than 360 days	112	(82)	30	73.21
Total credit cards	483	(87)	396	18.01
Other loans secured by collateral				
Not overdue	111,730	(42)	111,688	0.04
Overdue less than 30 days	8,519	(4)	8,515	0.05
Overdue from 30 to 89 days	6,386	(1,047)	5,339	16.40
Overdue from 90 to 179 days	2,481	(115)	2,366	4.64
Overdue from 180 to 360 days	3,003	(138)	2,865	4.60
Overdue more than 360 days	66,558	(11,379)	55,179	17.10
Total other loans secured by collateral	198,677	(12,725)	185,952	6.40
Total individually insignificant corporate loans and loans to individuals	508,249	(34,266)	473,983	6.74

Analysis of movements in allowance for impairment

Movements in the loan impairment allowance by classes of corporate loans that are individually insignificant and loans to individuals for three months and six months ended 30 June March 2018 are as follows:

	For the three months ended 30 June 2018 (unaudited)			
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(96)**	**(168)**	**(5,643)**	**(5,907)**
New assets originated or purchased	**(10)**	**–**	**–**	**(10)**
Assets derecognised or repaid (excluding write-offs)	**31**	**1**	**1,133**	**1,165**
Transfers to Stage 1	**(58)**	**58**	**–**	**–**
Transfers to Stage 2	**5**	**(5)**	**–**	**–**
Transfers to Stage 3	**–**	**67**	**(67)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**22**	**(3)**	**(332)**	**(313)**
Recoveries	**–**	**–**	**(526)**	**(526)**
Write-offs	**–**	**–**	**655**	**655**
Effect from changes in exchange rates	**(2)**	**–**	**(85)**	**(87)**
At 30 June 2018	**(108)**	**(50)**	**(4,865)**	**(5,023)**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

Analysis of movements in allowance for impairment (continued)

	For the six months ended 30 June 2018 (unaudited)			
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 January 2018	**(45)**	**(62)**	**(7,215)**	**(7,322)**
New assets originated or purchased	**(123)**	**–**	**–**	**(123)**
Assets derecognised or repaid (excluding write-offs)	**31**	**12**	**2,354**	**2,397**
Transfers to Stage 1	**(58)**	**58**	**–**	**–**
Transfers to Stage 2	**12**	**(18)**	**6**	**–**
Transfers to Stage 3	**10**	**83**	**(93)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**65**	**(123)**	**370**	**312**
Recoveries	**–**	**–**	**(1,384)**	**(1,384)**
Write-offs	**–**	**–**	**1,116**	**1,116**
Effect from changes in exchange rates	**–**	**–**	**(19)**	**(19)**
At 30 June 2018	**(108)**	**(50)**	**(4,865)**	**(5,023)**

	For the three months ended 30 June 2018 (unaudited)			
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(51)**	**(92)**	**(10,847)**	**(10,990)**
New assets originated or purchased	**(1)**	**–**	**–**	**(1)**
Assets derecognised or repaid (excluding write-offs)	**29**	**–**	**2,120**	**2,149**
Transfers to Stage 1	**(30)**	**30**	**–**	**–**
Transfers to Stage 2	**2**	**(5)**	**3**	**–**
Transfers to Stage 3	**–**	**12**	**(12)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**21**	**30**	**(1,301)**	**(1,250)**
Recoveries	**–**	**–**	**(1,660)**	**(1,660)**
Write-offs	**–**	**–**	**760**	**760**
Effect from changes in exchange rates	**–**	**–**	**(137)**	**(137)**
At 30 June 2018	**(30)**	**(25)**	**(11,074)**	**(11,129)**

	For the six months ended 30 June 2018 (unaudited)			
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 January 2018	**(42)**	**(47)**	**(10,580)**	**(10,669)**
New assets originated or purchased	**(99)**	**–**	**–**	**(99)**
Assets derecognised or repaid (excluding write-offs)	**134**	**8**	**2,723**	**2,865**
Transfers to Stage 1	**(33)**	**33**	**–**	**–**
Transfers to Stage 2	**6**	**(16)**	**10**	**–**
Transfers to Stage 3	**6**	**12**	**(18)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(2)**	**(15)**	**(1,175)**	**(1,192)**
Recoveries	**–**	**–**	**(2,851)**	**(2,851)**
Write-offs	**–**	**–**	**839**	**839**
Effect from changes in exchange rates	**–**	**–**	**(22)**	**(22)**
At 30 June 2018	**(30)**	**(25)**	**(11,074)**	**(11,129)**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

Analysis of movements in allowance for impairment (continued)

	For the three months ended 30 June 2018 (unaudited)			
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(1,743)**	**(607)**	**(6,338)**	**(8,688)**
New assets originated or purchased	**13**	**–**	**–**	**13**
Assets derecognised or repaid (excluding write-offs)	**–**	**(100)**	**631**	**531**
Transfers to Stage 1	**(230)**	**203**	**27**	**–**
Transfers to Stage 2	**53**	**(103)**	**50**	**–**
Transfers to Stage 3	**27**	**166**	**(193)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**475**	**5**	**(232)**	**248**
Recoveries	**–**	**–**	**(51)**	**(51)**
Write-offs	**–**	**–**	**8**	**8**
Effect from changes in exchange rates	**(13)**	**(10)**	**(82)**	**(105)**
At 30 June 2018	**(1,418)**	**(446)**	**(6,180)**	**(8,044)**

	For the six months ended 30 June 2018 (unaudited)			
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 January 2018	**(1,248)**	**(493)**	**(6,177)**	**(7,918)**
New assets originated or purchased	**(180)**	**–**	**–**	**(180)**
Assets derecognised or repaid (excluding write-offs)	**72**	**(4)**	**1,136**	**1,204**
Transfers to Stage 1	**(306)**	**255**	**51**	**–**
Transfers to Stage 2	**178**	**(432)**	**254**	**–**
Transfers to Stage 3	**109**	**211**	**(320)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(43)**	**17**	**(1,036)**	**(1,062)**
Recoveries	**–**	**–**	**(302)**	**(302)**
Write-offs	**–**	**–**	**214**	**214**
Effect from changes in exchange rates	**–**	**–**	**–**	**–**
At 30 June 2018	**(1,418)**	**(446)**	**(6,180)**	**(8,044)**

	For the three months ended 30 June 2018 (unaudited)			
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(1)**	**(1)**	**(272)**	**(274)**
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**37**	**37**
Impact on period end ECL of exposures transferred between stages during the period	**–**	**–**	**(190)**	**(190)**
Recoveries	**–**	**–**	**(12)**	**(12)**
Write-offs	**–**	**–**	**202**	**202**
At 30 June 2018	**(1)**	**(1)**	**(235)**	**(237)**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

Analysis of movements in allowance for impairment (continued)

	For the six months ended 30 June 2018 (unaudited)			
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 January 2018	**(1)**	**(1)**	**(240)**	**(242)**
Assets derecognised or repaid (excluding write-offs)	**–**	**–**	**87**	**87**
Impact on period end ECL of exposures transferred between stages during the period	**–**	**–**	**(225)**	**(225)**
Recoveries	**–**	**–**	**(63)**	**(63)**
Write-offs	**–**	**–**	**206**	**206**
At 30 June 2018	**(1)**	**(1)**	**(235)**	**(237)**

	For the three months ended 30 June 2018 (unaudited)			
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 April 2018	**(113)**	**(20)**	**(147)**	**(280)**
New assets originated or purchased	**(89)**	**–**	**–**	**(89)**
Assets derecognised or repaid (excluding write-offs)	**–**	**2**	**–**	**2**
Transfers to Stage 1	**(17)**	**17**	**–**	**–**
Transfers to Stage 2	**7**	**(7)**	**–**	**–**
Transfers to Stage 3	**–**	**13**	**(13)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(34)**	**(72)**	**70**	**(36)**
Recoveries	**–**	**–**	**(34)**	**(34)**
At 30 June 2018	**(246)**	**(67)**	**(124)**	**(437)**

	For the six months ended 30 June 2018 (unaudited)			
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
At 1 January 2018	**(63)**	**(13)**	**(55)**	**(131)**
New assets originated or purchased	**(102)**	**–**	**–**	**(102)**
Assets derecognised or repaid (excluding write-offs)	**2**	**2**	**–**	**4**
Transfers to Stage 1	**(26)**	**22**	**4**	**–**
Transfers to Stage 2	**13**	**(37)**	**24**	**–**
Transfers to Stage 3	**20**	**33**	**(53)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(90)**	**(74)**	**(5)**	**(169)**
Recoveries	**–**	**–**	**(40)**	**(40)**
Write-offs	**–**	**–**	**1**	**1**
At 30 June 2018	**(246)**	**(67)**	**(124)**	**(437)**

(millions of tenge)

13. Loans to customers (continued)

Quality of individually insignificant corporate loans and loans to individuals (continued)

Analysis of movements in allowance for impairment (continued)

Other loans secured by collateral	***For the three months ended 30 June 2018 (unaudited)*** Stage 1	Stage 2	Stage 3	Total
At 1 April 2018	**(5)**	**(27)**	**(16,353)**	**(16,385)**
New assets originated or purchased	**1**	**–**	**–**	**1**
Assets derecognised or repaid (excluding write-offs)	**10**	**–**	**1,973**	**1,983**
Transfers to Stage 1	**(10)**	**10**	**–**	**–**
Transfers to Stage 2	**3**	**(19)**	**16**	**–**
Transfers to Stage 3	**–**	**22**	**(22)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(79)**	**(30)**	**(2,669)**	**(2,778)**
Recoveries	**–**	**–**	**(2,042)**	**(2,042)**
Write-offs	**–**	**–**	**2,385**	**2,385**
Effect from changes in exchange rates	**–**	**–**	**(250)**	**(250)**
At 30 June 2018	**(80)**	**(44)**	**(16,962)**	**(17,086)**

Other loans secured by collateral	***For the six months ended 30 June 2018 (unaudited)*** Stage 1	Stage 2	Stage 3	Total
At 1 January 2018	**(73)**	**(46)**	**(15,427)**	**(15,546)**
New assets originated or purchased	**(116)**	**–**	**–**	**(116)**
Assets derecognised or repaid (excluding write-offs)	**228**	**68**	**2,383**	**2,679**
Transfers to Stage 1	**(15)**	**13**	**2**	**–**
Transfers to Stage 2	**7**	**(38)**	**31**	**–**
Transfers to Stage 3	**8**	**49**	**(57)**	**–**
Impact on period end ECL of exposures transferred between stages during the period	**(119)**	**(90)**	**(2,497)**	**(2,706)**
Recoveries	**–**	**–**	**(4,000)**	**(4,000)**
Write-offs	**–**	**–**	**2,657**	**2,657**
Effect from changes in exchange rates	**–**	**–**	**(54)**	**(54)**
At 30 June 2018	**(80)**	**(44)**	**(16,962)**	**(17,086)**

Movements in the loan impairment allowance by classes of corporate loans that are not individually significant and loans to individuals for six months ended 30 June 2017 are as follows:

	For the six months ended 30 June 2017 (unaudited) Individually insignificant corporate loans	Mortgage loans	Consumer loans	Car loans	Credit cards	Other loans secured by collateral	Total
At 1 January 2017	(6,962)	(7,803)	(3,754)	(56)	(99)	(12,390)	(31,064)
Net (charge)/reversal	(906)	1,450	(539)	(44)	6	770	737
Net write-offs/(recoveries)	686	(2,236)	(499)	(47)	(21)	(2,164)	(4,281)
Effect from changes in exchange rates	161	81	–	4	(1)	166	411
At 30 June 2017	(7,021)	(8,508)	(4,792)	(143)	(115)	(13,618)	(34,197)

(millions of tenge)

13. Loans to customers (continued)

Analysis of collateral and other enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals the Group updates the estimated values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also carry out an individual assessment of collateral at each reporting date.

As at 30 June 2018, loans net of allowance for impairment overdue over 90 days amount to KZT 116,074 million (as at 31 December 2017: KZT 130,454 million). As at 30 June 2018, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 132,977 million (as at 31 December 2017: KZT 137,106 million).

Repossessed collateral

During the six months ended 30 June 2018, the Group repossessed collateral on loans to customers, represented by real estate, with a net carrying amount totalling to KZT 9,005 million (six months ended 30 June 2017: KZT 10,745 million). The Group's policy assumes sale of these assets as soon as it is practicable.

Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	30 June 2018 (unaudited)	***31 December 2017***
Loans to retail customers	**381,146**	379,936
Metallurgy	**61,988**	39,172
Real estate activities	**56,465**	59,240
Wholesale trading	**51,744**	58,995
Construction	**39,426**	42,621
Services provided by small and medium businesses	**33,300**	46,263
Retail services	**23,492**	17,500
Food industry	**20,842**	18,389
Financial services	**13,459**	12,009
Transportation	**11,315**	7,164
Production of crude oil and natural gas	**5,300**	913
Agriculture	**3,988**	7,868
Production of metal goods	**4,328**	7,765
Textile production	**5,045**	3,485
Manufacturing	**3,101**	2,572
Chemical industry	**492**	4,472
Other	**28,677**	16,270
	744,108	724,634
Allowance for impairment	**(71,367)**	(52,783)
	672,741	671,851

Concentration of loans to customers

As at 30 June 2018 and 31 December 2017, the Group has no borrowers or groups of connected borrowers whose loan balances exceed 10% of total loans to customers.

(millions of tenge)

14. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Debt investment securities measured at amortised cost (previously classified as held-to-maturity)		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**13,955**	13,610
Bonds of foreign countries rated BB+	**689**	672
Total government bonds	**14,644**	14,282
Corporate bonds		
Rated from BB- to BB+	**5,518**	5,377
Total corporate bonds	**5,518**	5,377
Bonds of banks		
Rated from BB- to BB+	**4,279**	4,180
Total bonds of banks	**4,279**	4,180
Investment securities measured at amortised cost (previously classified as held-to-maturity) before allowance for impairment	**24,441**	23,839
Allowance for impairment	**(169)**	–
Investment securities measured at amortised cost (previously classified as held-to-maturity)	**24,272**	23,839
Debt securities at FVOCI		
Government bonds		
Treasury bills of the United States of America rated AAA	**28,879**	–
Notes of the NBRK rated BBB-	**158,919**	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**77,274**	–
Bonds of the Sultanate of Oman rated BB	**4,308**	–
Total government bonds	**269,380**	–
Corporate bonds		
Rated from AA- to AA+	**643**	–
Rated from BBB- to BBB+	**15,168**	–
Total corporate bonds	**15,811**	–
Bonds of banks		
Rated from BBB- to BBB+	**23,058**	–
Rated from BB- to BB+	**34,411**	–
Rated below B+	**1,677**	–
Total bonds of banks	**59,146**	–
Equity instruments at FVOCI	**35**	–
Investment securities at FVOCI	**344,372**	–

(millions of tenge)

14. Investment securities (continued)

Available-for-sale investment securities	*30 June 2018 (unaudited)*	*31 December 2017*
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	–	47,109
Total government bonds	–	47,109
Corporate bonds		
Rated from BBB- to BBB+	–	6,027
Total corporate bonds	–	6,027
Bonds of banks		
Rated from BB- to BB+	–	3,762
Rated below B+	–	1,661
Total bonds of banks	–	5,423
	–	58,559

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

As at 30 June 2018, investment securities at FVOCI (31 December 2017: available-for-sale investment securities), represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan with the fair value of KZT 11,600 million were pledged under the repurchase agreements entered into at KASE (as at 31 December 2017: KZT 10,421 million).

15. Other assets

Other assets comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Repossessed collateral	**64,954**	61,346
Other receivables from banking activities	**18,825**	15,520
Prepayments and other receivables	**14,966**	13,164
Non-current assets held for sale	**4,884**	5,047
Prepaid taxes, other than corporate income tax	**4,053**	4,333
Investment property	**1,382**	1,404
Inventories	**608**	462
Current corporate income tax prepaid	**–**	24
Accrued receivables on return of instruments not claimed by creditors	**–**	3,139
Other	**532**	107
Total other assets	**110,204**	104,546
Allowance for impairment	**(3,249)**	(2,777)
	106,955	101,769

During the six months ended 30 June 2018, the Group took possession of collaterals with a total value of KZT 9,005 million (six months ended 30 June 2017: KZT 10,745 million). Even though the Bank is currently working actively to dispose repossessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the repossessed collateral.

On 15 December 2017, a three-year period, during which creditors could submit their settlement instructions to receive entitlements under the Bank's 2014 restructuring, including cash, Eurobonds denominated in US dollars and GDRs, expired. As at 31 December 2017, the Group recognised amounts receivable on return of instruments unclaimed by creditors of KZT 3,139 million. On 4 January and 5 January 2018, cash, Eurobonds issued and GDRs were transferred by the distribution agent to the Bank's accounts.

(millions of tenge)

16. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Current accounts and demand deposits		
- Retail customers	**44,272**	39,941
- Corporate customers	**192,052**	178,949
Term deposits		
- Retail customers	**405,082**	405,416
- Corporate customers	**290,028**	293,706
Guarantee deposits		
- Retail customers	**12,896**	9,801
- Corporate customers	**44,308**	53,412
	988,638	981,225
Held as security against letters of credit and guarantees ***(Note 23)***	**(119)**	(125)

Concentration of customers' current accounts and deposits

As at 30 June 2018 and 31 December 2017, the Group had one customer whose balances exceeded 10% of total customer accounts and deposits. The outstanding balance of current accounts and deposits of this customer as at 30 June 2018 was KZT 156,200 million (as at 31 December 2017: KZT 152,987 million).

As at 30 June 2018, time deposits include deposits of individuals in the amount of KZT 405,082 million (as at 31 December 2017: KZT 405,416 million). In accordance with the Kazakhstan Civil Code, the Bank is obliged to repay time deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

17. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise:

	30 June 2018 (unaudited)	*31 December 2017*
Loans from governmental organisations	**53,584**	52,705
Loans from other financial institutions	**18,732**	21,848
Current accounts and deposits of banks	**961**	1,341
	73,277	75,894

As at 30 June 2018, loans from governmental organisations included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of KZT 22,316 million and KZT 9,683 million, respectively (at 31 December 2017: KZT 21,193 million and KZT 9,684 million, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. The loans are denominated in KZT, bear interest rates of 2.0%-8.5% per annum and mature in 2018-2035.

As at 30 June 2018 loans from governmental organisations also include a loan in the amount of KZT 20,451 million (as at 31 December 2017: KZT 20,453 million) received from Kazakhstan Sustainability Fund JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The loan is denominated in tenge, has an interest rate of 2.99% per annum and matures in 2035.

As at 30 June 2018 loans from other financial institutions include loans in the amount of KZT 14,920 million (as at 31 December 2017: KZT 18,134 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge, bear interest rate of 9.5% per annum and mature in 2019-2020.

18. Debt securities issued

The carrying amount of debt securities issued included the following:

	30 June 2018 (unaudited)	*31 December 2017*
Eurobonds denominated in US dollars	**70,018**	74,273
Bonds denominated in tenge	**51,072**	50,848
	121,090	125,121

As at 30 June 2018, Eurobonds denominated in US dollar include two types of instruments: international bonds with the carrying amount of KZT 57,786 million (as at 31 December 2017: KZT 62,361 million) maturing in 2024 and bearing a coupon of 11.75% per annum, paid semi-annually, issued in exchange for restructured debt and international bonds listed in the London Stock Exchange with the carrying amount of KZT 12,232 million (as at 31 December 2017: KZT 11,912 million) maturing in 2022 and bearing a coupon of 14% per annum, paid semi-annually, that were assumed as a result of business combination with Temirbank JSC in 2014.

As at 30 June 2018, bonds denominated in tenge include two types of instruments: bonds with the carrying amount of KZT 3,992 million (as at 31 December 2017: KZT 3,992 million) maturing in 2020 and bearing a coupon of 1% + inflation index per annum (capped at 12% per annum), paid semi-annually, and bonds with the carrying amount of KZT 47,080 million (as at 31 December 2017: KZT 46,856 million) placed by the Group in 2015, maturing in 2025 and bearing a coupon of 10.13% per annum, paid semiannually. Bonds denominated in tenge and maturing in 2020 are secured by the Group's mortgage loans to customers with total value of 110% of the nominal value of the bonds, which amounts to KZT 4,291 million as at 30 June 2018 and 31 December 2017.

19. Subordinated debt

As at 30 June 2018 and 31 December 2017, subordinated debt includes subordinated bonds denominated in tenge, maturing in 2020-2031 and a fixed coupon rate of 8% per annum. The coupon is paid every six months.

20. Share capital

The number of authorised, placed and outstanding common shares and share capital as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (unaudited)	*31 December 2017*
Common shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of re-acquired shares	**1,229,302,846**	1,005,510,843
Number of outstanding shares	**91,157,801,243**	91,381,593,246
Total share capital, millions of tenge	**331,522**	331,522

Movements in outstanding, placed and fully paid common shares were as follows:

	Number of common shares	*Placement value of common shares*
At 1 January 2018	**91,381,593,246**	**331,522**
Return of shares not claimed by creditors (unaudited)	**(223,792,003)**	**–**
As at 30 June 2018 (unaudited)	**91,157,801,243**	**331,522**
At 1 January 2017	91,836,075,713	332,094
Repurchase of own shares (unaudited)	(410,455,967)	(510)
As at 30 June 2017 (unaudited)	91,425,619,746	331,584

In accordance with the decision taken at the annual general meeting of shareholders held on 2 April 2018, the Bank declared dividends on common shares for the year ended 31 December 2017 in the amount of KZT 7,748 million or KZT 0.085 per share. During the six months ended 30 June 2017, the Bank declared dividends on common shares for the year ended 31 December 2016 in the amount of KZT 4,571 million or KZT 0.05 per share.

(millions of tenge)

21. Earnings per share

The following reflects the net profit and share information used in the basic and diluted earnings per share computations:

	For the three months ended 30 June	
	2018 (unaudited)	2017 (unaudited)
Net profit	**5,905**	3,707
The weighted average number of common shares for the three months ended 30 June	**91,157,801,243**	91,527,654,656
Basic and diluted earnings per share, in tenge	**0.06**	0.04

	For the six months ended 30 June	
	2018 (unaudited)	2017 (unaudited)
Net profit	**10,942**	6,054
The average weighted number of common shares for the six months ended 30 June	**91,163,983,343**	91,514,335,610
Basic and diluted earnings per share, in tenge	**0.12**	0.07

As at 30 June 2018 and 31 December 2017, the Bank did not have any financial instruments diluting earnings per share.

22. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank. As at 30 June 2018 and 31 December 2017, the Bank had complied in full with all its externally imposed capital requirements.

The primary objective of the Bank's capital management is to ensure that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The NBRK sets and monitors capital requirements for the Bank.

Under the current capital requirements set by the NBRK banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) in the value not less than 5.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1.2) in the value not less than 6.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) in the value not less than 8%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

(millions of tenge)

22. Capital management (continued)

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 30 June 2018 and 31 December 2017:

	30 June 2018 (unaudited)	*31 December 2017*
Tier 1 capital	**170,810**	187,144
Tier 2 capital	**18,807**	19,876
Deduction of regulatory provisions from capital	**(71)**	(247)
Total equity	**189,546**	206,773
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,088,511**	993,822
Ratio k1	**15.7%**	18.8%
Ratio k1.2	**15.7%**	18.8%
Ratio k.2	**17.4%**	20.8%

23. Commitments and contingencies

Political and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Interest rates of attracting funds in KZT remain high in 2018, which resulted in a higher cost of capital and increased uncertainty regarding further economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. The management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loans and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category. The amounts reflected in the table for credit related contingencies assume that the indicated contingencies will be fully settled. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed to fulfil their contractual obligations.

	30 June 2018 (unaudited)	*31 December 2017*
Undrawn loan commitments	**54,141**	98,319
Financial guarantees	**31,424**	20,224
Letters of credit	**519**	134
	86,084	118,677
Less: current accounts and deposits of customers held as security against letters of credit and guarantees *(Note 16)*	**(119)**	(125)
Less: allowance for expected credit losses	**(247)**	–
	85,718	118,552

(millions of tenge)

23. Commitments and contingencies (continued)

Credit related commitments (continued)

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including change of the refinance rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Operating lease commitments

Operating lease liabilities that could not be unilaterally cancelled could be presented as follows:

	30 June 2018 (unaudited)	***31 December 2017***
Less than 1 year	**1,319**	1,013
From 1 to 5 years	**3,843**	3,506
Over 5 years	**830**	1,226
	5,992	5,745

Operating lease commitments

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

For the six months ended 30 June 2018, operating lease payments reflected as expenses within profit or loss amount to KZT 750 million (six months ended 30 June 2017: KZT 851 million) *(Note 8)*.

Legal proceedings

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Group. Management is unaware of any significant actual, pending or threatened claims against the Group.

Taxation 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. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. The adequacy of tax assessment in the reporting period may be reviewed during the next five calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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

24. Related party transactions

Remuneration of members of the Board of Directors and the Management Board

Total remuneration to members of the Management Board and Board of Directors included in general and administrative expenses for three months and six months ended 30 June 2018 and 2017 is as follows:

	For the three months ended 30 June		*For the six months ended 30 June*	
	2018 (unaudited)	*2017 (unaudited)*	*2018 (unaudited)*	*2017 (unaudited)*
Members of the Board of Directors and the Management Board of the Group	**160**	226	**325**	413
	160	226	**325**	413

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 30 June 2018, total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 2,024 million (as at 31 December 2017: KZT 1,774 million) and in accordance with the Decree of the NBRK No. 74 dated 24 February 2012, should be paid during the period of not less than three years, under the specific conditions.

Transactions with other related parties

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 30 June 2018 and related profit or loss for the three months and six months ended 30 June 2018 from transactions with related parties are as follows:

	30 June 2018 (unaudited)						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	In million tenge	*Average effective interest rate (%)*	*In million tenge*	*Average effective interest rate (%)*	*In million tenge*	*Average effective interest rate (%)*	*In million tenge*
Assets							
Amounts due from financial institutions	**–**	**–**	**1,500**	**12.5**	**–**	**–**	**1,500**
Loans to customers	**–**	**–**	**–**	**–**	**184**	**5.84**	**184**
Liabilities							
Current accounts and deposits of customers	**6,437**	**1.19**	**1,937**	**1.72**	**10,034**	**2.52**	**18,407**
Amounts due to banks and other financial institutions	**–**	**–**	**954**	**–**	**–**	**–**	**954**
Other liabilities	**–**	**–**	**2**	**–**	**–**	**–**	**2**

	For the three months ended 30 June 2018 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	**–**	**60**	**4**	**64**
Interest expense	**(18)**	**(8)**	**(38)**	**(64)**
Fee and commission income	**–**	**6**	**7**	**13**
Other expenses	**–**	**(64)**	**–**	**(64)**

(millions of tenge)

24. Related party disclosures (continued)

Transactions with other related parties (continued)

	For the six months ended 30 June 2018 (unaudited)			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	**–**	**123**	**10**	**133**
Interest expense	**(22)**	**(11)**	**(85)**	**(118)**
Fee and commission income	**–**	**10**	**7**	**17**
Other expenses	**–**	**(96)**	**–**	**(96)**

The outstanding balances and the related average effective rates as at 31 December 2017, and related income or loss from transactions with other related parties for the three months ended 30 June 2017, are as follows:

	31 December 2017						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	In million tenge	*Average effective interest rate (%)*	*In million tenge*	*Average effective interest rate (%)*	*In million tenge*	*Average effective interest rate (%)*	*In million tenge*
Assets							
Amounts due from financial institutions	–	–	2,000	12.5	–	–	2,000
Loans to customers	–	–	–	–	341	8.0	341
Liabilities							
Current accounts and deposits of customers	278	1.1	2,412	0.3	13,149	1.5	15,839
Amounts due to banks and other financial institutions	–	–	1,341	–	–	–	1,341
Other liabilities	-	–	12	–	67	–	79
Contingent liabilities	–	–	–	–	4	–	4

	For the three months ended 30 June 2017 (unaudited)			
	Shareholder	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	136	159	295
Interest expense	(12)	(3)	(153)	(168)
Fee and commission income	–	4	3	7

	For the six months ended 30 June 2017 (unaudited)			
	Shareholder	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	315	175	490
Interest expense	(17)	(7)	(286)	(310)
Fee and commission income	–	8	5	13

(millions of tenge)

25. Segment analysis

The Group has six reporting segments and business lines ("Other" segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial/banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs;
- Retail banking (RB) – includes issuance of loans, attracting deposits, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Heritage – work with loan portfolio of "old" non-performing loans, the loan portfolio sold to collection companies;
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions;
- Other – other transactions with debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Heritage, Investing activities).

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing / placement rates approved by the authorised body of the Bank.

	30 June 2018 (unaudited)						
	CB	***SMB***	***RB***	***Heritage***	***Investing activities***	***Other***	***Total***
Assets							
Cash and cash equivalents	**–**	**–**	**–**	**–**	**187,149**	**–**	**187,149**
Amounts due from financial institutions	**–**	**–**	**–**	**–**	**7,923**	**–**	**7,923**
Trading securities	**–**	**–**	**–**	**–**	**8,834**	**–**	**8,834**
Loans to customers	**156,374**	**151,634**	**259,867**	**104,866**	**–**	**–**	**672,741**
Investment securities	**–**	**–**	**–**	**–**	**368,644**	**–**	**368,644**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**48,578**	**48,578**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**4,199**	**4,199**
Deferred income tax assets	**–**	**–**	**–**	**–**	**–**	**3,980**	**3,980**
Other assets	**608**	**2,654**	**3,248**	**80,061**	**2,321**	**18,063**	**106,955**
Total assets	**156,982**	**154,288**	**263,115**	**184,927**	**574,871**	**74,820**	**1,409,003**
Liabilities							
Current accounts and deposits of customers	**215,888**	**154,567**	**473,652**	**–**	**–**	**144,531**	**988,638**
Amounts due to banks and other financial institutions	**8,358**	**36,914**	**2,774**	**20,451**	**4,780**	**–**	**73,277**
Amounts payable under repurchase agreements	**–**	**–**	**–**	**–**	**11,062**	**–**	**11,062**
Debt securities issued	**–**	**–**	**–**	**–**	**–**	**121,090**	**121,090**
Deferred income tax liabilities	**–**	**–**	**–**	**–**	**–**	**183**	**183**
Subordinated debt	**–**	**–**	**–**	**–**	**–**	**22,647**	**22,647**
Other liabilities	**72**	**730**	**800**	**47**	**40**	**8,543**	**10,232**
Total liabilities	**224,318**	**192,211**	**477,226**	**20,498**	**15,882**	**296,994**	**1,227,129**
Equity							
Share capital	**–**	**–**	**–**	**–**	**–**	**331,522**	**331,522**
Additional paid-in capital	**–**	**–**	**–**	**–**	**–**	**21,116**	**21,116**
Fair value reserve	**–**	**–**	**–**	**–**	**–**	**1,754**	**1,754**
Accumulated losses	**–**	**–**	**–**	**–**	**–**	**(173,201)**	**(173,201)**
Total equity attributable to shareholders of the Bank	**–**	**–**	**–**	**–**	**–**	**181,191**	**181,191**

(millions of tenge)

25. Segment analysis (continued)

	31 December 2017						
	CB	***SMB***	***RB***	***Heritage***	***Investing activities***	***Other***	***Total***
Assets							
Cash and cash equivalents	–	–	–	–	200,088	31,732	231,820
Amounts due from financial institutions	–	–	–	–	6,393	–	6,393
Trading securities	–	–	–	–	290,919	–	290,919
Loans to customers	152,611	142,966	254,058	122,216	–	–	671,851
Investment securities	–	–	–	–	82,398	–	82,398
Property and equipment	–	–	–	–	–	49,009	49,009
Intangible assets	–	–	–	–	–	3,741	3,741
Deferred income tax assets	–	–	–	–	–	6,740	6,740
Other assets	929	2,584	4,163	64,235	4,375	25,483	101,769
Total assets	153,540	145,550	258,221	186,451	584,173	116,705	1,444,640
Liabilities							
Current accounts and deposits of customers	228,730	156,085	455,525	–	–	140,885	981,225
Amounts due to banks and other financial institutions	8,841	38,523	3,016	20,453	5,061	–	75,894
Amounts payable under repurchase agreements	–	–	–	–	36,639	–	36,639
Debt securities issued	–	–	–	–	–	125,121	125,121
Deferred income tax liabilities	–	–	–	–	–	122	122
Subordinated debt	–	–	–	–	–	22,740	22,740
Other liabilities	1	1,660	2,226	44	91	4,676	8,698
Total liabilities	237,572	196,268	460,767	20,497	41,791	293,544	1,250,439
Equity							
Share capital	–	–	–	–	–	331,522	331,522
Additional paid-in capital	–	–	–	–	–	21,116	21,116
Fair value reserve	–	–	–	–	–	598	598
Accumulated losses	–	–	–	–	–	(159,676)	(159,676)
Total equity attributable to shareholders of the Bank	–	–	–	–	–	193,560	193,560

(millions of tenge)

25. Segment analysis (continued)

Information on the main reporting segments for the three months ended 30 June 2018 may be presented as follows:

	For the three months ended 30 June 2018 (unaudited)						
	CB	*SMB*	*RB*	*Heritage*	*Investing activities*	*Other*	*Total*
Interest income	2,949	5,055	12,176	2,725	7,365	–	30,270
Interest expense	(2,450)	(1,201)	(6,415)	(143)	(91)	(7,925)	(18,225)
Net interest income	499	3,854	5,761	2,582	7,274	(7,925)	12,045
Fee and commission income	242	2,230	2,359	–	10	–	4,841
Fee and commission expense	(55)	(114)	(961)	(80)	(79)	–	(1,289)
Net gains/(losses) from financial instruments at fair value through profit or loss	–	–	–	–	24	–	24
Net gains/(losses) from foreign currencies	482	466	451	(115)	2,105	(2,422)	967
Other operating income/(loss), net	(11)	(28)	(452)	(490)	(12)	1,329	336
Non-interest income	658	2,554	1,397	(685)	2,048	(1,093)	4,879
Impairment and allowance (expenses)/reversal	(1,635)	427	436	115	(255)	2	(910)
General and administrative expenses	(291)	(1,863)	(4,099)	(1,326)	(142)	(918)	(8,639)
Non-interest expenses	(1,926)	(1,436)	(3,663)	(1,211)	(397)	(916)	(9,549)
Profit before corporate income tax expense	(769)	4,972	3,495	686	8,925	(9,934)	7,375
Corporate income tax expenses	–	–	–	–	–	(1,440)	(1,440)
Profit for the period	(769)	4,972	3,495	686	8,925	(11,374)	5,935

Information on the main reporting segments for the six months ended 30 June 2018 may be presented as follows:

	For the six months ended 30 June 2018 (unaudited)						
	CB	*SMB*	*RB*	*Heritage*	*Investing activities*	*Other*	*Total*
Interest income	5,541	9,906	25,275	4,959	14,604	–	60,285
Interest expense	(5,130)	(2,429)	(13,128)	(293)	(223)	(15,594)	(36,797)
Net interest income	411	7,477	12,147	4,666	14,381	(15,594)	23,488
Fee and commission income	437	4,005	3,793	–	21	–	8,256
Fee and commission expense	(61)	(270)	(1,774)	(167)	(129)	–	(2,401)
Net gains/(losses) from financial instruments at fair value through profit or loss	–	–	–	–	17	–	17
Net gains from derecognition of investment securities at fair value through other comprehensive income	–	–	–	–	872	–	872
Net gains/(losses) from foreign currencies	771	738	713	(3,402)	2,105	–	925
Other operating income/(loss), net	(11)	(57)	(809)	(322)	(15)	1,716	502
Non-interest income	1,136	4,416	1,923	(3,891)	2,871	1,716	8,171
Impairment and allowance (expenses)/reversal	(1,078)	(39)	(533)	1,513	(381)	127	(391)
General and administrative expenses	(714)	(3,750)	(8,421)	(2,885)	(607)	(1,070)	(17,447)
Non-interest expenses	(1,792)	(3,789)	(8,954)	(1,372)	(988)	(943)	(17,838)
Profit before corporate income tax expense	(245)	8,104	5,116	(597)	16,264	(14,821)	13,821
Corporate income tax expenses	–	–	–	–	–	(2,837)	(2,837)
Profit for the period	(245)	8,104	5,116	(597)	16,264	(17,658)	10,984

(millions of tenge)

25. Segment analysis (continued)

Information on the main reporting segments for the three months ended 30 June 2017 may be presented as follows:

	For the three months ended 30 June 2017 (unaudited)						
	CB	***SMB***	***RB***	***Heritage***	***Investing activities***	***Other***	***Total***
Interest income	2,240	4,296	13,400	2,931	6,705	–	29,572
Interest expense	(2,118)	(1,089)	(7,681)	(151)	(7,879)	–	(18,918)
Net interest income	122	3,207	5,719	2,780	(1,174)	–	10,654
Fee and commission income	196	1,489	1,086	–	25	–	2,796
Fee and commission expense	–	(78)	(503)	(127)	(101)	–	(809)
Net gains from financial instruments at fair value through profit or loss	–	–	–	1,143	883	–	2,026
Net gains/(losses) from foreign currencies	–	–	202	(769)	(1,069)	–	(1,636)
Other operating income/(loss), net	(1,069)	(1)	(290)	(133)	(2)	1,770	275
Non-interest income	(873)	1,410	495	114	(264)	1,770	2,652
Impairment and allowance (expenses)/reversal	(129)	(361)	(1,243)	3,271	2	3	1,543
General and administrative expenses	(137)	(1,772)	(5,406)	(1,277)	(200)	(225)	(9,017)
Non-interest expenses	(266)	(2,133)	(6,649)	1,994	(198)	(222)	(7,474)
Profit before corporate income tax expense	(1,017)	2,484	(435)	4,888	(1,636)	1,548	5,832
Corporate income tax expenses	–	–	–	–	–	(2,065)	(2,065)
Profit for the period	(1,017)	2,484	(435)	4,888	(1,636)	(517)	3,767

Information on the main reporting segments for the three months ended 30 June 2017 may be presented as follows:

	For the six months ended 30 June 2017 (unaudited)						
	CB	***SMB***	***RB***	***Heritage***	***Investing activities***	***Other***	***Total***
Interest income	4,308	8,411	26,891	6,382	12,490	–	58,482
Interest expense	(3,722)	(2,214)	(14,836)	(300)	(15,629)	–	(36,701)
Net interest income	586	6,197	12,055	6,082	(3,139)	–	21,781
Fee and commission income	367	2,666	2,196	–	46	–	5,275
Fee and commission expense	(1)	(139)	(898)	(252)	(176)	–	(1,466)
Net (losses)/gains from financial instruments at fair value through profit or loss	–	–	–	1,143	(2,850)	–	(1,707)
Net gains/(losses) from foreign currencies:	–	–	405	(4,730)	5,872	–	1,547
Other operating income/(loss), net	(1,027)	(36)	(545)	(306)	18	2,138	242
Non-interest income	(661)	2,491	1,158	(4,145)	2,910	2,138	3,891
Impairment and allowance (expenses)/reversal	(29)	(590)	(2,025)	5,241	2	1	2,600
General and administrative expenses	(838)	(3,580)	(10,206)	(2,581)	(340)	(629)	(18,174)
Non-interest expenses	(867)	(4,170)	(12,231)	2,660	(338)	(628)	(15,574)
Profit before corporate income tax expense	(942)	4,518	982	4,597	(567)	1,510	10,098
Corporate income tax expenses	–	–	–	–	–	(3,965)	(3,965)
Profit for the period	(942)	4,518	982	4,597	(567)	(2,455)	6,133

(millions of tenge)

26. Fair value of financial instruments

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2018:

	30 June 2018 (unaudited)				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	**–**	**187,149**	**187,149**	**187,149**	**–**
Amounts due from financial institutions	**–**	**7,923**	**7,923**	**7,923**	**–**
Trading securities	**8,834**	**–**	**8,834**	**8,834**	**–**
Loans to customers	**–**	**657,200**	**672,741**	**657,200**	**(15,541)**
Investment securities at FVOCI	**344,372**	**–**	**344,372**	**344,372**	**–**
Investment securities at amortised cost	**–**	**23,242**	**24,272**	**23,242**	**(1,030)**
Other financial assets	**–**	**15,576**	**15,576**	**15,576**	**–**
	353,206	**891,090**	**1,260,867**	**1,244,296**	**(16,571)**
Current accounts and deposits of customers	**–**	**1,005,151**	**988,638**	**1,005,151**	**(16,513)**
Amounts due to banks and other financial institutions	**–**	**72,572**	**73,277**	**72,572**	**705**
Amounts payable under repurchase agreements	**–**	**11,062**	**11,062**	**11,062**	**–**
Debt securities issued	**–**	**130,758**	**121,090**	**130,758**	**(9,668)**
Subordinated debt	**–**	**22,541**	**22,647**	**22,541**	**106**
Other financial liabilities	**–**	**7,797**	**7,797**	**7,797**	**–**
	–	**1,249,881**	**1,224,511**	**1,249,881**	**(25,370)**
					(41,941)

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

	31 December 2017				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	–	231,820	231,820	231,820	–
Amounts due from financial institutions	–	6,393	6,393	6,393	–
Trading securities	290,919	–	290,919	290,919	–
Loans to customers	–	671,851	671,851	668,126	(3,725)
Available-for-sale investment securities	58,559	–	58,559	58,559	–
Held-to-maturity investment securities	–	23,839	23,839	24,806	967
Other financial assets	–	22,937	22,937	22,937	–
	349,478	956,840	1,306,318	1,303,560	(2,758)
Current accounts and deposits of customers	–	981,225	981,225	965,179	16,046
Amounts due to banks and other financial institutions	–	75,894	75,894	75,992	(98)
Amounts payable under repurchase agreements	–	36,639	36,639	36,639	–
Debt securities issued	–	125,121	125,121	137,573	(12,452)
Subordinated debt	–	22,740	22,740	22,459	281
Other financial liabilities	–	7,142	7,142	7,142	–
	–	1,248,761	1,248,761	1,244,984	3,777
					1,019

26. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market quotes or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organised market for the sale of an asset or transfer a liability between market participants at the measurement date.

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

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

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 4.91% p.a. to 14.77% p.a. (as at 31 December 2017: 5.28% p.a. to 18.63% p.a.) was used;
- To calculate the estimated future cash flows from loans to individuals a discount rate in the range from 14.83% p.a. to 25.75% p.a. (as at 31 December 2017: 12.84% p.a. to 28.40% p.a.) was used.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(millions of tenge)

26. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 30 June 2018, by fair value hierarchy, into which the fair value measurement is categorised: The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

	30 June 2018 (unaudited)				
	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Trading securities	12	**7,484**	**–**	**1,350**	**8,834**
Investment securities at FVOCI	14	**344,372**	**–**	**–**	**344,372**
		351,856	**–**	**1,350**	**353,206**

The following table analyses financial instruments carried at fair value as at 31 December 2017, by fair value hierarchy, into which the fair value measurement is categorised: The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

	31 December 2017				
	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Trading securities	12	289,569	–	1,350	290,919
Available-for-sale investment securities	14	58,559	–	–	58,559
		348,128	–	1,350	349,478

The following table analyses financial instruments not measured at fair value but for which fair value is disclosed as at 30 June 2018, by fair value hierarchy:

	30 June 2018 (unaudited)				
	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	**–**	**187,149**	**–**	**187,149**	**187,149**
Amounts due from financial institutions	**–**	**7,923**	**–**	**7,923**	**7,923**
Loans to customers	**–**	**–**	**657,200**	**657,200**	**672,741**
Investment securities at amortised cost	**23,242**	**–**	**–**	**23,242**	**24,272**
Other financial assets	**–**	**15,576**	**–**	**15,576**	**15,576**
Liabilities					
Current accounts and deposits of customers	**–**	**1,005,151**	**–**	**1,005,151**	**988,638**
Amounts due to banks and other financial institutions	**–**	**72,572**	**–**	**72,572**	**73,277**
Amounts payable under repurchase agreements	**–**	**11,062**	**–**	**11,062**	**11,062**
Debt securities issued	**130,758**	**–**	**–**	**130,758**	**121,090**
Subordinated debt	**22,541**	**–**	**–**	**22,541**	**22,647**
Other financial liabilities	**–**	**7,797**	**–**	**7,797**	**7,797**

(millions of tenge)

26. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments not measured at fair value as at 31 December 2017, by fair value hierarchy, into which the fair value measurement is categorised:

	31 December 2017				
	Level 1	***Level 2***	***Level 3***	***Total fair value***	***Total carrying value***
Assets					
Cash and cash equivalents	–	231,820	–	231,820	231,820
Amounts due from financial institutions	–	6,393	–	6,393	6,393
Loans to customers	–	–	668,126	668,126	671,851
Held-to-maturity investment securities	24,806	–	–	24,806	23,839
Other financial assets	–	22,937	–	22,937	22,937
Liabilities					
Current accounts and deposits of customers	–	965,179	–	965,179	981,225
Amounts due to banks and other financial institutions	–	75,992	–	75,992	75,894
Amounts payable under repurchase agreements	–	36,639	–	36,639	36,639
Debt securities issued	137,573	–	–	137,573	125,121
Subordinated debt	22,459	–	–	22,459	22,740
Other financial liabilities	–	7,142	–	7,142	7,142