# KazAgroFinance Joint Stock Company

## Interim condensed financial statements

*30 June 2018*
*with report on review of interim financial information*

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# Report on review of interim financial information

To the Shareholder and Board of Directors of
Joint Stock Company "KazAgroFinance"

## *Introduction*

We have reviewed the accompanying interim condensed financial statements of Joint Stock Company "KazAgroFinance" (hereinafter – "the Company"), which comprise the interim condensed statement of financial position as at 30 June 2018 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (hereinafter – "interim financial information").

Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

## *Scope of review*

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

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***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khegay
Auditor

Auditor Qualification Certificate
No. МФ-0000286 dated 25 September 2015

Gulmira Turmagambetova
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

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20 September 2018

# INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

## As at 30 June 2018

*(thousands of tenge)*

| | *Notes* | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3 | **31,831,001** | 41,239,167 |
| Amounts due from credit institutions | 4 | **149,300** | 149,809 |
| Loans to customers | 5 | **48,255,832** | 45,066,761 |
| Finance lease receivables | 6 | **173,257,248** | 183,288,007 |
| Property held for financial lease | 7 | **8,466,026** | 5,131,712 |
| Current corporate income tax assets | | **175,396** | 125,579 |
| Property, plant and equipment | 8 | **1,002,095** | 1,040,490 |
| Intangible assets | 9 | **501,457** | 530,043 |
| VAT and other taxes recoverable | 10 | **3,130,670** | 3,106,338 |
| Advances paid | 11 | **6,744,348** | 2,558,452 |
| Other assets | 17 | **558,321** | 576,406 |
| **Total assets** | | **274,071,694** | 282,812,764 |
| | | | |
| **Liabilities** | | | |
| Amounts due to the Shareholder | 12 | **69,926,940** | 75,539,402 |
| Amounts due to credit institutions | 13 | **37,686,276** | 40,429,623 |
| Debt securities issued | 14 | **47,026,943** | 46,969,316 |
| Deferred corporate income tax liabilities | 15 | **1,464,433** | 1,669,304 |
| Advances received | 16 | **3,328,127** | 3,555,199 |
| Deferred VAT liabilities | | **4,293,960** | 3,979,227 |
| Other liabilities | 17 | **9,849,960** | 7,885,742 |
| **Total liabilities** | | **173,576,639** | 180,027,813 |
| | | | |
| **Equity** | | | |
| Share capital | 19 | **82,837,204** | 82,837,204 |
| Additional paid-in capital | 19 | **25,162,989** | 24,912,791 |
| Reserve funds | 19 | **1,436,184** | 1,436,184 |
| Provision for notional distribution | 19 | **(9,576,114)** | (9,542,733) |
| Retained earnings | | **634,792** | 3,141,505 |
| **Total equity** | | **100,495,055** | 102,784,951 |
| **Total liabilities and equity** | | **274,071,694** | 282,812,764 |
| | | | |
| **Book value per common share (in tenge)** | 19 | **1,207.11** | 1,234.41 |

Izbastin K.T. — Chairman of the Management Board

Shodanova G.T. — Chief accountant

20 September 2018

# INTERIM CONDENSED INCOME STATEMENT

## For the six months ended 30 June 2018

*(thousands of tenge)*

| | Note | For the six months ended 30 June 2018 (unaudited) | For the six months ended 30 June 2017 (unaudited) |
|---|---|---|---|
| **Interest income calculated using effective interest rate** | | | |
| Loans to customers | | **2,009,998** | 3,180,387 |
| Amounts due from credit institutions | | **805,496** | 1,105,791 |
| Securities carried at amortised cost | | **117,107** | – |
| | | **2,932,601** | 4,286,178 |
| **Other interest income** | | | |
| Finance lease receivables | | **9,173,005** | 9,731,842 |
| | | **12,105,606** | 14,018,020 |
| **Interest expenses** | | | |
| Amounts due to the Shareholder | | **(2,491,766)** | (2,594,499) |
| Debt securities issued | | **(2,278,367)** | (2,275,029) |
| Amounts due to credit institutions | | **(1,745,568)** | (1,756,076) |
| | | **(6,515,701)** | (6,625,604) |
| **Net interest income** | | **5,589,905** | 7,392,416 |
| Credit loss expense | 23 | **(3,319,645)** | (3,364,943) |
| **Net interest income less loan loss expense** | | **2,270,260** | 4,027,473 |
| Net gains/(losses) from transactions with derivative financial assets | | **555** | (524,573) |
| Net gains from transactions in foreign currencies | | **329,668** | 6,311 |
| Other income | 20 | **389,647** | 211,960 |
| **Non-interest income/(expenses)** | | **719,870** | (306,302) |
| Personnel expenses | 21 | **(1,207,806)** | (960,841) |
| Other operating expenses | 21 | **(349,457)** | (332,131) |
| Net loss from restructuring of loans to customers | 22 | **(191,176)** | (255,208) |
| Other impairment and provisions | 23 | **(451,171)** | (411,730) |
| Amortisation | | **(118,994)** | (87,938) |
| **Non-interest expenses** | | **(2,318,604)** | (2,047,848) |
| **Profit before corporate income tax benefit** | | **671,526** | 1,673,323 |
| Corporate income tax benefit | 15 | **138,252** | 362,699 |
| **Profit for the period** | | **809,778** | 2,036,022 |

Izbastin K.T. — Chairman of the Management Board

Shodanova G.T. — Chief accountant

20 September 2018

*The accompanying selected explanatory notes on pages 6 to 23 are an integral part of these interim condensed financial statements.*

# INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

## For the six months ended 30 June 2018

*(thousands of tenge)*

| | | *For the six months ended 30 June* | |
|---|---|---|---|
| | ***Notes*** | ***2018 (unaudited)*** | ***2017 (unaudited)*** |
| **Profit for the period** | | **809,778** | 2,036,022 |
| Other comprehensive income | | – | – |
| **Total comprehensive income for the reporting period** | | **809,778** | 2,036,022 |

Izbastin K.T. — Chairman of the Management Board

Shodanova G.T. — Chief accountant

20 September 2018

*The accompanying selected explanatory notes on pages 6 to 23 are an integral part of these interim condensed financial statements.*

## INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

### For the six months ended 30 June 2018

*(thousands of tenge)*

| | *Share capital* | *Additional paid-in capital* | *Reserve funds* | *Provision for notional distribution* | *Retained earings* | *Total* |
|---|---|---|---|---|---|---|
| **At 31 December 2016** | 82,837,204 | 23,282,853 | 1,436,184 | (9,372,015) | 1,183,599 | 99,367,825 |
| Total comprehensive income for the reporting period (unaudited) | – | – | – | – | 2,036,022 | 2,036,022 |
| Dividends declared *(Note 19)* (unaudited) | – | – | – | – | (1,614,314) | (1,614,314) |
| Income from initial recognition of loans from the Shareholder at fair value net of taxes *(Note 19)* (unaudited) | – | 124,286 | – | – | – | 124,286 |
| Provision for notional distribution for the period net of tax *(Note 19)* (unaudited) | – | – | – | (10,242) | – | (10,242) |
| **As at 30 June 2017 (unaudited)** | 82,837,204 | 23,407,139 | 1,436,184 | (9,382,257) | 1,605,307 | 99,903,577 |
| **As at 31 December 2017** | 82,837,204 | 24,912,791 | 1,436,184 | (9,542,733) | 3,141,505 | 102,784,951 |
| Impact of adopting IFRS 9 *(Note 2)* (unaudited) | – | – | – | – | 255,729 | 255,729 |
| **Restated balance in accordance with IFRS 9 (unaudited)** | **82,837,204** | **24,912,791** | **1,436,184** | **(9,542,733)** | **3,397,234** | **103,040,680** |
| Total comprehensive income for the reporting period (unaudited) | – | – | – | – | **809,778** | **809,778** |
| Dividends declared *(Note 19)* (unaudited) | – | – | – | – | **(3,572,220)** | **(3,572,220)** |
| Income from initial recognition of loans from the Shareholder at fair value net of taxes *(Note 19)* (unaudited) | – | **250,198** | – | – | – | **250,198** |
| Provision for notional distribution for the period net of tax *(Note 19)* (unaudited) | – | – | – | **(33,381)** | – | **(33,381)** |
| **As at 30 June 2018 (unaudited)** | **82,837,204** | **25,162,989** | **1,436,184** | **(9,576,114)** | **634,792** | **100,495,055** |

Izbastin K.T. Chairman of the Management Board

Shodanova G.T. Chief accountant

20 September 2018

*The accompanying selected explanatory notes on pages 6 to 23 are an integral part of these interim condensed financial statements.*

# INTERIM CONDENSED STATEMENT OF CASH FLOWS

## For the six months ended 30 June 2018

*(thousands of tenge)*

| | Notes | For the six-month period ended 30 June 2018 (unaudited) | 2017 (unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | **10,668,024** | 10,815,279 |
| Interest paid | | **(4,713,465)** | (4,935,322) |
| Realised gains less losses from derivative financial assets | | **555** | 35,993 |
| Realised losses less gains from dealing in foreign currencies | | **(72,681)** | (141,038) |
| Personnel expenses paid | | **(957,799)** | (1,021,233) |
| Other operating expenses paid | | **(412,586)** | (387,541) |
| Other income received | | **231,697** | 187,718 |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **4,743,745** | 4,553,856 |
| *Net (increase)/decrease in operating assets* | | | |
| Amounts due from credit institutions | | **(700)** | 524,225 |
| Loans to customers | | **(608,478)** | 3,110,963 |
| Finance lease receivables | | **2,927,203** | 15,197,600 |
| VAT and other taxes receivables | | **(24,332)** | (253,090) |
| Advances paid | | **(4,186,178)** | (5,491,004) |
| Other assets | | **30,999** | (203,303) |
| *Net increase/(decrease) in operating liabilities* | | | |
| Advances received | | **458,730** | 1,151,320 |
| Other liabilities | | **330,931** | 2,362,346 |
| **Net cash flows from operating activities before corporate income tax** | | **3,671,920** | 20,952,913 |
| Corporate income tax paid | | **(130,317)** | (166,125) |
| **Net cash flow from operating activities** | | **3,541,603** | 20,786,788 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | 8, 9 | **(52,013)** | (211,257) |
| Proceeds from sale of property, plant and equipment | | **–** | 1,282 |
| Proceeds from redemption of investment securities at amortized cost | | **26,908,654** | – |
| Acquisition of investment securities at amortized cost | | **(26,908,654)** | – |
| **Net cash used in investing activities** | | **(52,013)** | (209,975) |
| **Cash flows from financing activities** | | | |
| Proceeds from loans due to the Shareholder | | **1,232,415** | 507,463 |
| Repayment of loans due to the Shareholder | | **(8,180,643)** | (5,610,902) |
| Proceeds from loans due to credit institutions | | **–** | 5,202,363 |
| Repayment of loans received due to credit institutions | | **(2,663,824)** | (3,518,870) |
| Dividends paid to the Shareholder | 19 | **(3,572,220)** | (807,157) |
| Redemption of debt securities issued | | **(10,250)** | – |
| **Net cash used in financing activities** | | **(13,194,522)** | (4,227,103) |
| Effect of exchange rates changes on cash and cash equivalents | | **299,970** | (232,577) |
| Effect of ECL on cash and cash equivalents | | **(3,204)** | – |
| **Net (decrease)/increase in cash and cash equivalents** | | **(9,408,166)** | 16,117,133 |
| Cash and cash equivalents, beginning | 3 | **41,239,167** | 22,989,891 |
| **Cash and cash equivalents, ending** | 3 | **31,831,001** | 39,107,024 |

Izbastin K.T. Chairman of the Management Board

Shodanova G.T. Chief accountant

20 September 2018

*The accompanying selected explanatory notes on pages 6 to 23 are an integral part of these interim condensed financial statements.*

*(thousands of tenge)*

## 1. Principal activities

KazAgroFinance Joint Stock Company (hereinafter – the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 1777 dated 24 November 1999 *On Certain Agricultural Issues* in accordance with Kazakhstan legislation. The Company performs its activities on the basis of a license issued by the National Bank of the Republic of Kazakhstan (the "NBRK") for conducting operations specified by the banking legislation of the RK No. 16 dated 31 March 2006. Besides, the Company has a status of financial agency according to the Resolution of the NBRK No. 195 dated 23 September 2006.

The Company's principal activities are as follows:

- Leasing activities in agricultural sector;
- Lending and other types of activity that are not prohibited by the laws, correspond with goals and objectives of the Company;
- Participation in implementation of republican budget and other programs aimed at the development of agricultural sector.

The Company's registered office is located at the following address: Kazakhstan, Astana, Kenesary Str., bldg 51.

As at 30 June 2018 and as at 31 December 2017 the Company has 15 registered branches in the Republic of Kazakhstan.

As at 30 June 2018 and 31 December 2017, KazAgro National Managing Holding Joint Stock Company (hereinafter, "KazAgro" or the "Shareholder") is a sole shareholder of the Company. Ultimate owner of the Company is the Government of the Republic of Kazakhstan.

## 2. Basis of preparation

### General

These interim condensed financial statements for the six months ended 30 June 2018 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (IAS 34).

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

### Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company'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 Company 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 Company 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.

*(thousands of tenge)*

## 2. Basis of preparation (continued)

**Changes in accounting policies (continued)**

*IFRS 9 Financial Instruments (continued)*

*(a) Classification and measurement (continued)*

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, with the exception of embedded derivatives under finance lease agreements.

*(b) Impairment*

The adoption of IFRS 9 has fundamentally changed the Company's accounting for loan and finance lease receivables impairment by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Company has been recording the allowance for expected credit losses for all loans, finance lease receivables and other debt financial assets not held at FVTPL, 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.

The Company 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 Company groups its loans and finance lease receivables as described below:

Stage 1: When assets are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When assets have shown a significant increase in credit risk since origination, the Company 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: Assets considered to be in default. The Company records an allowance for the LTECL.

The Company calculates ECL based on three 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:

PD The *Probability of Default* 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 asset has not been previously derecognised and is still part of the portfolio.

EAD The *Exposure at Default* 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* 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 sale of any collateral. It is usually expressed as a percentage of the EAD.

*(thousands of tenge)*

## 2. Basis of preparation (continued)

**Changes in accounting policies (continued)**

*IFRS 9 Financial Instruments (continued)*

*(b) Impairment (continued)*

When estimating the ECLs, the Company considers three scenarios: a base case, an upside, and a more extreme downside. In its ECL models, the Company relies on a forward looking information as economic inputs. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The Company considers a financial instrument defaulted and therefore Stage 3 (in default) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The expected credit loss on securities, deposits, current account funds and covered letters of credit is calculated on the basis of external credit ratings assigned by international rating agencies – Fitch Ratings, Moody's InvestorsService, S&P GlobalRatings.

The Company assesses ECL on an individual basis for the following assets:

- Loans to customers whose gross carrying amount at the reporting date exceeds 0.2% of equity and showing signs of impairment;
- Finance lease receivables showing signs of impairment with a total outstanding amount of over 1,000,000,000 (one billion) tenge.

The Company calculates ECL on a collective basis for all other classes of assets which it groups into homogeneous portfolios based on a combination of internal and external characteristics.

*(c) Effect of adopting IFRS 9*

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

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

| | *IAS 39 measurement* | | *Reclassifi-* | *Re-measurement* | | *IFRS 9* | |
|---|---|---|---|---|---|---|---|
| ***Financial assets*** | ***Category*** | ***Amount*** | ***cation*** | ***ECL*** | ***Other*** | ***Amount*** | ***Category*** |
| Cash and cash equivalents | L&R* | 41,239,167 | – | (5,815) | – | 41,233,352 | Amortised cost |
| Amounts due from credit institutions | L&R* | 149,809 | – | (543) | – | 149,266 | Amortised cost |
| Loans to customers | L&R* | 45,066,761 | – | 2,540,743 | – | 47,607,504 | Amortised cost |
| Finance lease receivables | L&R* | 183,288,007 | – | (2,470,399) | – | 180,817,608 | Amortised cost |
| Other financial assets | L&R* | 162,771 | – | 372,303 | – | 535,074 | Amortised cost |
| **Total assets** | | **269,906,515** | **–** | **436,289** | **–** | **270,342,804** | |
| **Non-financial liabilities** | | | | | | | |
| Provisions | | – | – | (180,560) | – | (180,560) | |
| **Total liabilities** | | **–** | **–** | **(180,560)** | **–** | **(180,560)** | |

* *L&R – Loans and receivables.*

*(thousands 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 retained earnings is as follows:

| | *Retained earnings (unaudited)* |
|---|---|
| **Retained earnings** | |
| **Closing balance under IAS 39 (31 December 2017)** | **3,141,505** |
| Recognition of IFRS 9 ECLs | 255,729 |
| **Restated opening balance under IFRS 9 (1 January 2018)** | **3,397,234** |
| **Total change in equity due to adopting IFRS 9** | **255,729** |

The following table reconciles the aggregate opening loss allowances on assets 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.

| | *Impairment allowance under IAS 39 / IAS 37 at 31 December 2017* | *Revaluation (unaudited)* | *ECL under IFRS 9 at 1 January 2018 (unaudited)* |
|---|---|---|---|
| **Impairment allowance** | | | |
| Loans to customers | 11,745,919 | (2,540,743) | 9,205,176 |
| Finance lease receivables | 18,076,841 | 2,470,399 | 20,547,240 |
| Other financial assets | 1,333,563 | (372,303) | 961,260 |
| Cash and cash equivalents | – | 5,815 | 5,815 |
| Amounts due from credit institutions | – | 543 | 543 |
| | **31,156,323** | **436,289** | **30,720,034** |
| Commitments and contingencies | – | (180,560) | (180,560) |
| | **31,156,323** | **(255,729)** | **30,539,474** |

*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 Company'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 Company's income are not impacted by the adoption of this standard.

## 3. Cash and cash equivalents

Cash and cash equivalents comprise the following:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Cash in current bank accounts, tenge | **14,505,501** | 21,608,242 |
| Cash on current bank accounts, foreign currency | **17,328,704** | 19,630,925 |
| | **31,834,205** | 41,239,167 |
| Less allowance for impairment | **(3,204)** | – |
| **Cash and cash equivalents** | **31,831,001** | 41,239,167 |

As at 30 June 2018, cash and cash equivalents concentrated with one bank amounted to KZT 10,095,807 thousand or 31.7% of total cash and cash equivalents (31 December 2017: KZT 14,503,363 thousand or 35.2%).

*(thousands of tenge)*

## 3. Cash and cash equivalents (continued)

As at 1 January 2018 and 30 June 2018, all balances of cash and cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances for the six months ended 30 June 2018 is as follows:

| | *For the six months ended 30 June 2018 (unaudited)* |
|---|---|
| **ECL allowance as at 1 January 2018 *(Note 2)*** | 5,815 |
| Reversal of ECL allowance for the period | **(2,611)** |
| **As at 30 June 2018** | **3,204** |

## 4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Cash on current accounts restricted in use | **149,444** | 149,809 |
| Less allowance for impairment | **(144)** | – |
| **Amounts due from credit institutions** | **149,300** | 149,809 |

Amounts due from credit organizations represent restricted cash as collateral for letters of credit for purchase of equipment held for finance lease.

As at 1 January 2018 and 30 June 2018, all balances of amounts due from credit institutions are allocated to Stage 1. An analysis of changes in the ECL allowances for the six months period ended 30 June 2018 is as follows:

| | *For the six months ended 30 June 2018 (unaudited)* |
|---|---|
| **ECL allowance as at 1 January 2018 *(Note 2)*** | 543 |
| Reversal of ECL allowance for the period | **(399)** |
| **As at 30 June 2018** | **144** |

## 5. Loans to customers

Loans to customers comprise:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Loans to legal entities | **58,076,752** | 56,812,680 |
| **Loans to customers before allowance for impairment** | **58,076,752** | 56,812,680 |
| | | |
| Less allowance for impairment | **(9,820,920)** | (11,745,919) |
| **Loans to customers** | **48,255,832** | 45,066,761 |

*(thousands of tenge)*

## 5. Loans to customers (continued)

**Allowance for impairment of loans to customers**

An analysis of changes in the ECL allowances for the six months ended 30 June 2018 is as follows:

| | *For the six months ended 30 June 2018 (unaudited)* | | | |
|---|---|---|---|---|
| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
| **ECL as at 1 January 2018 *(Note 2)*** | 530,216 | 209,676 | 8,465,284 | 9,205,176 |
| Transfers to Stage 1 | **190,077** | **(71,324)** | **(118,753)** | – |
| Transfers to Stage 2 | **(35,836)** | **46,350** | **(10,514)** | – |
| Transfers to Stage 3 | **(270,022)** | **(95,320)** | **365,342** | – |
| Credit loss expense | **(205,304)** | **(20,953)** | **732,146** | **505,889** |
| Unwind of discount (recognised in interest income) | – | – | **154,116** | **154,116** |
| Amounts written off | – | – | **(44,261)** | **(44,261)** |
| **As at 30 June 2018** | **209,131** | **68,429** | **9,543,360** | **9,820,920** |

A reconciliation of the allowance for impairment of loans to customers for the six months ended 30 June 2017 is as follows:

| | *For the six months ended 30 June 2017 (unaudited)* |
|---|---|
| **As at 1 January** | 8,869,810 |
| Charge for the period | 419,873 |
| **As at 30 June** | 9,289,683 |

## 6. Finance lease receivables

As at 30 June 2018, the analysis of finance lease receivables is presented below :

| | *30 June 2018 (unaudited)* | | | |
|---|---|---|---|---|
| | *Not later than 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Gross investments in finance leases** | **58,360,786** | **145,037,862** | **58,924,115** | **262,322,763** |
| Unearned finance income on finance lease of future periods | **(2,132,813)** | **(34,221,151)** | **(29,298,838)** | **(65,652,802)** |
| **Total investments into finance leases** | **56,227,973** | **110,816,711** | **29,625,277** | **196,669,961** |
| Less allowance for impairment | **(6,693,698)** | **(13,192,252)** | **(3,526,763)** | **(23,412,713)** |
| **Finance lease receivables** | **49,534,275** | **97,624,459** | **26,098,514** | **173,257,248** |

As at 31 December 2017, the analysis of finance lease receivables is presented below:

| | *31 December 2017* | | | |
|---|---|---|---|---|
| | *Not later than 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Gross investments in finance leases** | 58,202,290 | 147,819,207 | 62,813,007 | 268,834,504 |
| Unearned finance income on finance lease of future periods | (1,955,860) | (34,301,664) | (31,212,132) | (67,469,656) |
| **Total investments into finance leases** | 56,246,430 | 113,517,543 | 31,600,875 | 201,364,848 |
| Less allowance for impairment | (5,049,330) | (10,190,650) | (2,836,861) | (18,076,841) |
| **Finance lease receivables** | 51,197,100 | 103,326,893 | 28,764,014 | 183,288,007 |

*(thousands of tenge)*

## 6. Finance lease receivables (continued)

**Allowance for impairment of finance lease receivables**

An analysis of changes in the ECL allowances for the six months ended 30 June 2018 is, as follows:

| | *For the six-month period ended 30 June 2018 (unaudited)* | | | |
|---|---|---|---|---|
| | *Stage 1* | *Stage 2* | *Stage 3* | *Total* |
| **ECL as at 1 January 2018** ***(Note 2)*** | 3,529,011 | 1,695,081 | 15,323,148 | 20,547,240 |
| Transfers to Stage 1 | **1,897,001** | **(1,204,529)** | **(692,472)** | **–** |
| Transfers to Stage 2 | **(709,508)** | **921,189** | **(211,681)** | **–** |
| Transfers to Stage 3 | **(308,965)** | **(384,429)** | **693,394** | **–** |
| Credit loss expense | **(1,635,728)** | **1,011,577** | **3,522,827** | **2,898,676** |
| Amounts written off | **–** | **–** | **(33,203)** | **(33,203)** |
| **As at 30 June 2018** | **2,771,811** | **2,038,889** | **18,602,013** | **23,412,713** |

A reconciliation of the allowance for impairment of finance lease receivables for the six months ended 30 June 2017:

| | *For the six months ended 30 June 2017 (unaudited)* |
|---|---|
| **As at 1 January** | 19,776,282 |
| Charge for the period | 2,945,070 |
| **As at 30 June** | 22,721,352 |

## 7. Property held for finance lease

As at 30 June 2018 and 31 December 2017, property held for finance lease comprises the following:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Equipment held for finance lease | **7,755,206** | 4,999,127 |
| Repossessed collateral | **1,250,545** | 688,371 |
| Other materials | **37,993** | 21,978 |
| | **9,043,744** | 5,709,476 |
| Less – allowance for impairment *(Note 23)* | **(577,718)** | (577,764) |
| **Property held for finance lease** | **8,466,026** | 5,131,712 |

## 8. Property, plant and equipment

The movements in property, plant and equipment were as follows:

| | *Land* | *Buildings and constructions* | *Vehicles* | *Computers and office equipment* | *Other* | *Total* |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **As at 31 December 2016** | 31,922 | 850,489 | 129,178 | 451,660 | 103,345 | 1,566,594 |
| Additions (unaudited) | – | – | – | 104,973 | 1,894 | 106,867 |
| Disposals (unaudited) | – | – | (3,210) | – | (599) | (3,809) |
| **As at 30 June 2017 (unaudited)** | 31,922 | 850,489 | 125,968 | 556,633 | 104,640 | 1,669,652 |
| | | | | | | |
| **As at 31 December 2017** | 31,922 | 850,489 | 144,248 | 572,031 | 107,262 | 1,705,952 |
| Additions (unaudited) | **–** | **–** | **–** | **28,026** | **739** | **28,765** |
| Disposals (unaudited) | **–** | **–** | **–** | **(101)** | **(95)** | **(196)** |
| **As at 30 June 2018 (unaudited)** | **31,922** | **850,489** | **144,248** | **599,956** | **107,906** | **1,734,521** |

*(thousands of tenge)*

## 8. Property, plant and equipment (continued)

| | *Land* | *Buildings and con-structions* | *Vehicles* | *Computers and office equipment* | *Other* | *Total* |
|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | |
| **As at 31 December 2016** | – | (205,154) | (58,141) | (218,748) | (73,802) | (555,845) |
| Charge (unaudited) | – | (11,936) | (7,084) | (37,087) | (4,076) | (60,183) |
| Disposals (unaudited) | – | – | 1,993 | – | 590 | 2,583 |
| **As at 30 June 2017 (unaudited)** | – | (217,090) | (63,232) | (255,835) | (77,288) | (613,445) |
| **As at 31 December 2017** | – | (229,025) | (58,466) | (297,381) | (80,590) | (665,462) |
| Charge (unaudited) | – | **(11,922)** | **(8,264)** | **(43,151)** | **(3,823)** | **(67,160)** |
| Disposals (unaudited) | – | – | – | **101** | **95** | **196** |
| **As at 30 June 2018 (unaudited)** | – | **(240,947)** | **(66,730)** | **(340,431)** | **(84,318)** | **(732,426)** |
| **Net book value** | | | | | | |
| **As at 31 December 2017** | 31,922 | 621,464 | 85,782 | 274,650 | 26,672 | 1,040,490 |
| **As at 30 June 2018 (unaudited)** | **31,922** | **609,542** | **77,518** | **259,525** | **23,588** | **1,002,095** |

## 9. Intangible assets

The movements in intangible assets were as follows:

| | *Computer software and license* |
|---|---|
| **Cost** | |
| **As at 31 December 2016** | 481,991 |
| Additions (unaudited) | 104,390 |
| **As at 30 June 2017 (unaudited)** | 586,381 |
| **As at 31 December 2017** | 863,160 |
| Additions (unaudited) | **23,248** |
| **As at 30 June 2018 (unaudited)** | **886,408** |
| **Accumulated amortisation** | |
| **As at 31 December 2016** | (265,657) |
| Charge (unaudited) | (27,755) |
| **As at 30 June 2017 (unaudited)** | (293,412) |
| **As at 31 December 2017** | (333,117) |
| Amortisation charge (unaudited) | **(51,834)** |
| **As at 30 June 2018 (unaudited)** | **(384,951)** |
| **Net book value** | |
| **As at 31 December 2017** | 530,043 |
| **As at 30 June 2018 (unaudited)** | **501,457** |

## 10. VAT and other taxes receivable

As at 30 June 2018 and 31 December 2017, VAT and other taxes receivable comprise the following:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| VAT receivable | **3,087,067** | 2,844,351 |
| Other taxes | **43,603** | 261,987 |
| **VAT and other taxes receivable** | **3,130,670** | 3,106,338 |

*(thousands of tenge)*

## 11. Advances paid

Advances paid comprise the following:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Advances paid for agricultural machinery | **6,721,372** | 2,558,044 |
| Advances paid for equipment | **10,770** | 10,770 |
| Other advances paid | **24,191** | 1,341 |
| | **6,756,333** | 2,570,155 |
| Less allowance for impairment *(Note 23)* | **(11,985)** | (11,703) |
| **Advances paid** | **6,744,348** | 2,558,452 |

As at 30 June 2018 and 31 December 2017, advances paid represent prepayment for delivery of agricultural machinery, equipment and cattle stock for further transfer to finance lease.

## 12. Amounts due to the Shareholder

As at 30 June 2018 and 31 December 2017, the amounts due to the Shareholder comprise the following:

| | *Currency* | *Maturity* | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|---|---|
| Framework loan agreement No. 35 | KZT | 2023 | **43,164,980** | 47,010,150 |
| Framework loan agreement No. 63 | KZT | 2020 | **9,050,927** | 12,073,337 |
| Framework loan agreement No. 39 | KZT | 2032 | **6,742,314** | 5,579,547 |
| Framework loan agreement No. 113 | KZT | 2023 | **4,821,189** | 4,950,805 |
| Loan agreement No. 118 | KZT | 2021 | **3,744,066** | 3,638,755 |
| Loan agreement No. 64 | KZT | 2023 | **2,403,464** | 2,286,808 |
| | | | **69,926,940** | 75,539,402 |

The loans were provided by the Shareholder to finance enterprises of agricultural complex.

As at 30 June 2018 the Company has no obligations on compliance with financial covenants under agreements with the Shareholder. The amounts due to the Shareholder is not secured by collateralized property.

## 13. Due to credit institutions

Amounts due to credit institutions comprise:

| | *Currency* | *Maturity date* | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|---|---|
| Eurasian Development Bank | KZT | 2018-2019 | **9,770,559** | 9,789,090 |
| SB Sberbank of Russia JSC | KZT | 2021 | **9,090,119** | 9,089,195 |
| BOT Lease Co. Ltd | EUR | 2021-2022 | **6,961,696** | 6,975,009 |
| Roseximbank JSC | RUB | 2022-2023 | **3,993,251** | 4,490,378 |
| Societe Generale Bank | USD | 2020 | **3,439,036** | 4,178,568 |
| Islamic Development Bank | USD | 2020 | **1,838,874** | 2,111,824 |
| Deere Credit, Inc. | USD | 2019 | **1,142,535** | 1,483,475 |
| Landesbank Berlin AG | EUR | 2019 | **828,108** | 1,107,038 |
| GazPromBank JSC | USD | 2019 | **343,714** | 509,999 |
| Rossellhozbank JSC | USD | 2018-2019 | **278,384** | 586,813 |
| CNH International SA | USD | 2018 | **–** | 108,234 |
| | | | **37,686,276** | 40,429,623 |

**Restrictive covenants**

In accordance with the terms of the credit organization loan agreements, the Company is required to comply with certain financial ratios, including prudential standards established by the NBRK for KazAgro's subsidiaries in the agro-industrial complex area of the Republic of Kazakhstan, as well as the coverage ratio for interest expenses (EBIT and interest expenses).

As at 30 June 2018 and 31 December 2017, the Company meets the requirements related to compliance with the restrictive covenants under the agreements with these credit organizations.

*(thousands of tenge)*

## 14. Debt securities issued

As at 30 June 2018 and 31 December 2017 debt securities issued comprise the following:

| | *Maturity* | *Rate, %* | *Currency* | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|---|---|---|
| Second issue of coupon bonds | 12 June 2022 | 8.5% | KZT | **18,005,110** | 17,998,251 |
| Third issue of bonds as part of the first bond program | 16 January 2023 | 8.0% | KZT | **16,950,397** | 16,905,832 |
| Second issue of bonds as part of the second bond program | 14 November 2021 | 15.0% | KZT | **8,123,190** | 8,118,222 |
| First issue of coupon bonds | 12 June 2024 | 8.5% | KZT | **3,948,246** | 3,947,011 |
| **Debt securities issued** | | | | **47,026,943** | 46,969,316 |

## 15. Taxation

Corporate income tax benefit comprises:

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2018 (unaudited)* | *2017 (unaudited)* |
| Current corporate tax charge | **120,824** | – |
| Deferred corporate income tax benefit – origination and reversal of temporary differences | **(204,872)** | (334,188) |
| Less: deferred corporate income tax recognized in equity | **(54,204)** | (28,511) |
| **Corporate income tax benefit** | **(138,252)** | (362,699) |

As at 30 June 2018, deferred corporate income tax liabilities amounted to KZT 1,464,433 thousand (as at 31 December 2017: KZT 1,669,304 thousand).

## 16. Advances received

As at 30 June 2018, advances received amounted to KZT 3,328,127 thousand (31 December 2017: KZT 3,555,199 thousand) represent prepayments made by the customers for the property held for finance lease that was acquired under finance lease agreements but not transferred to the lessee.

## 17. Other assets and other liabilities

As at 30 June 2018 and 31 December 2017, other assets comprise:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Accounts receivable recognized based on the court decision | **727,802** | 687,284 |
| Deferred expenses | **357,419** | 413,635 |
| Accounts receivable from reimbursement of lost leasing objects | **93,528** | 96,859 |
| Accounts receivable from buyers and customers | **23,110** | 41,731 |
| Other accounts receivable | **666,603** | 670,460 |
| | **1,868,462** | 1,909,969 |
| Less allowance for impairment *(Note 23)* | **(1,310,141)** | (1,333,563) |
| **Other assets** | **558,321** | 576,406 |

*(thousands of tenge)*

## 17. Other assets and other liabilities (continued)

As at 30 June 2018 and 31 December 2017, other liabilities comprise:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Accounts payable to suppliers | **7,042,816** | 2,579,367 |
| Deferred interest income | **2,077,237** | 4,746,109 |
| Compulsory payments payable to budget and payables to employees | **157,300** | 43,797 |
| Taxes other than corporate income tax payable | **24,945** | 87,529 |
| ECL allowance on commitments and contingencies | **98,650** | – |
| Other current liabilities | **449,012** | 428,940 |
| **Other liabilities** | **9,849,960** | 7,885,742 |

As at 30 June 2018 and 31 December 2017, accounts payable to suppliers include the Company's payables for property for subsequent transfer to finance lease, as follows:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Agricultural machinery | **4,477,502** | 1,391,730 |
| Equipment | **2,388,256** | 1,042,221 |
| Cattle stock | **104,197** | – |
| Other | **72,861** | 145,416 |
| **Other liabilities** | **7,042,816** | 2,579,367 |

## 18. Commitments and contingencies

### Operating environment and economic conditions

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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The volatility of the tenge's exchange rate against major foreign currencies continue to have a negative impact on the Kazakhstan economy.

### Litigation

In the ordinary course of business, the Company is subject to different legal claims. 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 Company.

Management is unaware of any significant acting, pending or threatened claims against the Company.

### Taxation

Commercial, and in particular, tax legislation in Kazakhstan contain regulations, interpretation of which could vary, and in certain cases the legislation could be amended with indirect retrospective impact. In addition, Company's management's interpretation of the legislation may differ from that of tax authorities, and in the result transactions carried out by the Company could be estimated by tax authorities in other way, and this could result in additional charge of taxes, fines and penalties. The Company's management considers that all necessary tax accruals were fulfilled and, correspondingly, there were no any allowances charged in the statements. Tax periods remain open for 5 (five) years.

*(thousands of tenge)*

## 18. Commitments and contingencies (continued)

### Credit related commitments

As at 30 June 2018 and 31 December 2017 contractual commitments and contingencies of the Company comprise:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| **Credit related commitments** | | |
| Undrawn loan commitments | **4,322,142** | 4,112,673 |
| Financial guarantees | **1,353,472** | 1,556,327 |
| | **5,675,614** | 5,669,000 |
| | | |
| Allowance for impairment of contingent liabilities | **(98,650)** | – |
| **Total** | **5,576,964** | 5,669,000 |

On 16 June 2011 the Company issued a financial guarantee in the amount of 6,661,130 Islamic Dinar on behalf of associated company JSC Fund of financial support of agriculture to the Islamic Development Bank under loan facility. This guarantee was secured by counter-guarantee of KazAgro. As at 30 June 2018 the amount of the loan obtained by Fund for Financial Support of Agriculture JSC totalled 2,824,558 Islamic dinar, or KZT 1,353,472 thousand (31 December 2017: 3,296,324 Islamic dinar or KZT 1,556,326 thousand).

An analysis of changes in the ECLs on the undrawn loan commitments for the six months ended 30 June 2018 is as follows:

| | *For the six months ended 30 June 2018 (unaudited)* |
|---|---|
| **ECLs as at 1 January 2018** ***(Note 2)*** | 173,065 |
| Reversal of allowance for ECL for the period | **(80,904)** |
| **As at 30 June 2018** | **92,161** |

An analysis of changes in the ECLs on financial guarantees for the six months ended 30 June 2018 is as follows:

| | *For the six months ended 30 June 2018 (unaudited)* |
|---|---|
| **ECLs as at 1 January 2018** ***(Note 2)*** | 7,495 |
| Reversal of allowance for ECL for the period | **(1,006)** |
| **As at 30 June 2018** | **6,489** |

## 19. Equity

As at 30 June 2018, the total amount of authorized, issued and fully paid common shares comprised 82,837,204 pieces (31 December 2017: 82,837,204 pieces) at the placement value of 1,000 tenge per one common share.

In accordance with the decision of the Shareholder dated 26 May 2017, the Company declared dividends for 2016 in the amount of KZT 1,614,314 thousand or KZT 19.49 per one common share. As at 30 June 2017, dividends in the amount of KZT 807,157 thousand or 50% of the total amount of dividends declared were paid to the Shareholder. In accordance with the decision of the Shareholder dated 30 May 2018, the Company declared dividends for 2017 in the amount of KZT 3,572,220 thousand or KZT 43.12 per one common share. During the six-month period ended 30 June 2018, the dividends were fully paid.

In accordance with the Regulation of the Company, provisions are made for general risks including future losses and other unforeseen risks and obligations. Reserve capital is subject to distribution on the basis of the Shareholder's decision at the general meeting. During the reporting period, the reserve funds were not changed. Thus, as at 30 June 2018 and 31 December 2017, the reserve funds amounted to KZT 1,436,184 thousand.

*(thousands of tenge)*

## 19. Equity (continued)

Movements in additional paid-in capital and the provision for notional distribution were presented as follows:

| | *Additional paid-in capital* | *Provision for notional distribution* |
|---|---|---|
| **As at 31 December 2016** | 23,282,853 | (9,372,015) |
| Income from initial recognition of loans from the Shareholder at fair value (unaudited) | 155,357 | – |
| Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited) | (31,071) | – |
| Provision for notional distribution for the period (unaudited) | – | (12,802) |
| Tax effect of recognition of provision for notional distribution (unaudited) | – | 2,560 |
| **As at 30 June 2017 (unaudited)** | 23,407,139 | (9,382,257) |
| **As at 31 December 2017** | 24,912,791 | (9,542,733) |
| Income from initial recognition of loans from the Shareholder at fair value (unaudited) | **312,747** | **–** |
| Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited) | **(62,549)** | **–** |
| Provision for notional distribution for the period (unaudited) | **–** | **(41,726)** |
| Tax effect of recognition of provision for notional distribution (unaudited) | **–** | **8,345** |
| **As at 30 June 2018 (unaudited)** | **25,162,989** | **(9,576,114)** |

As at 30 June 2018, book value per one common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,207.11 (31 December 2017: KZT 1,234.41).

Calculation of book value of one share as at 30 June 2018:

| | *30 June 2018 (unaudited)* | *31 December 2017* |
|---|---|---|
| Assets | **274,071,694** | 282,812,764 |
| Less intangible assets | **(501,457)** | (530,043) |
| Less liabilities | **(173,576,639)** | (180,027,813) |
| **Net assets** | **99,993,598** | 102,254,908 |
| **Number of common shares as at the calculation date, pieces** | **82,837,204** | 82,837,204 |
| **Book value per share (tenge)** | **1,207.11** | 1,234.41 |

## 20. Other income

Other income comprises the following:

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2018 (unaudited)* | *2017 (unaudited)* |
| Income from reimbursement of expenses and write-off of liabilities | **246,247** | 113,460 |
| Income from reversal of loss from impairment of property held for finance lease | **77,953** | 24,186 |
| Fines and penalties received | **23,100** | 9,004 |
| Income from finance lease items subject to return | **10,578** | 19,979 |
| Other | **31,769** | 45,331 |
| **Other income** | **389,647** | 211,960 |

Fines and penalties were obtained by the Company from suppliers for untimely delivery of equipment held for finance lease.

*(thousands of tenge)*

## 21. Personnel and other operating expenses

Personnel and other operating expenses comprise:

| | For the six months ended 30 June 2018 (unaudited) | For the six months ended 30 June 2017 (unaudited) |
|---|---|---|
| Personnel expenses | **1,104,076** | 874,083 |
| Social security costs | **103,730** | 86,758 |
| **Personnel expenses** | **1,207,806** | 960,841 |
| | | |
| Professional services | **85,581** | 81,932 |
| Lease | **59,164** | 58,434 |
| Materials | **29,886** | 23,368 |
| Repair and maintenance | **27,872** | 26,812 |
| Taxes other than corporate income tax | **24,793** | 44,239 |
| Business trip expenses | **20,351** | 19,069 |
| Communication | **16,059** | 14,846 |
| Insurance | **13,747** | 9,723 |
| Legal expenses | **12,093** | 1,931 |
| Bank charges | **8,913** | 9,312 |
| Advertising and marketing | **6,073** | 22,315 |
| Trainings | **5,975** | 5,294 |
| Utility costs | **3,374** | 3,015 |
| Social program expenses | **2,369** | 1,309 |
| Sponsorship | **2,000** | – |
| Other | **31,207** | 10,533 |
| **Other operating expenses** | **349,457** | 332,131 |

## 22. Net loss from restructuring of loans to customers

In the normal course of business, the Company revises the terms of loans to customers by providing the grace period and allowing early repayment due to events not related to impairment of loans. The effect of changes in the carrying amount due to the revision of the terms of loans to customers is recognized in profit or loss. For the six months ended 30 June 2018, the net loss from restructuring of loans amounted to KZT 191,176 thousand (for the six months ended 30 June 2017: KZT 255,208 thousand).

## 23. Credit loss expenses, other impairment and provision expenses

The table below discloses the ECL expenses on financial instruments recognised in profit or loss for the six months ended 30 June 2018:

| | Notes | For the six months ended 30 June 2018 (unaudited) Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 3 | 2,611 | – | – | 2,611 |
| Amounts due from credit institutions | 4 | 399 | – | – | 399 |
| Loans to customers | 5 | 205,304 | 20,953 | (732,146) | (505,889) |
| Finance lease receivables | 6 | 1,635,728 | (1,011,577) | (3,522,827) | (2,898,676) |
| Undrawn credit lines | 18 | 80,904 | – | – | 80,904 |
| Financial guarantees | 18 | 1,006 | – | – | 1,006 |
| **As at 30 June 2018** | | **1,925,952** | **(990,624)** | **(4,254,973)** | **(3,319,645)** |

*(thousands of tenge)*

## 23. Credit loss expenses, other impairment and provision expenses (continued)

Credit loss expenses for the six months ended 30 June 2017 comprised the following:

| | *For the six months ended 30 June 2017 (unaudited)* |
|---|---|
| Loans to customers | (419,873) |
| Finance lease receivables | (2,945,070) |
| | **(3,364,943)** |

The movements in impairment allowances and other provisions were as follows:

| | *Property held for finance lease* | *Advances paid* | *Other assets* | *Total* |
|---|---|---|---|---|
| **As at 31 December 2016** | 452,411 | 29,147 | 604,083 | 1,085,641 |
| Charge/(reversal) for the period (unaudited) | 231,510 | (14,862) | 195,082 | 411,730 |
| Write-off for the period (unaudited) | (110,919) | (34) | – | (110,953) |
| **As at 30 June 2017 (unaudited)** | 573,002 | 14,251 | 799,165 | 1,386,418 |
| **As at 31 December 2017** | 577,764 | 11,703 | 1,333,563 | 1,923,030 |
| Impact of adopting IFRS 9 *(Note 2)* | – | – | **(372,303)** | **(372,303)** |
| **Restated balance as at 1 January 2018 (unaudited)** | **577,764** | **11,703** | **961,260** | **1,550,727** |
| Charge for the period (unaudited) | **90,861** | **282** | **360,028** | **451,171** |
| Write-off for the period (unaudited) | **(90,907)** | **–** | **(11,147)** | **(102,054)** |
| **As at 30 June 2018 (unaudited)** | **577,718** | **11,985** | **1,310,141** | **1,899,844** |

Provisions for impairment of assets are deducted from the cost of related assets.

## 24. Fair value of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques 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.

*(thousands of tenge)*

## 24. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded in the financial statements at fair value by level of the fair value hierarchy:

| *30 June 2018 (unaudited)* | *Fair value measurement with the use of* | | | |
|---|---|---|---|---|
| | *Quoted prices in active markets (Level 1)* | *Significant observable inputs (Level 2)* | *Significant non-observable inputs (Level 3)* | *Total* |
| **Assets whose fair values are disclosed** | | | | |
| Cash and cash equivalents | **31,831,001** | **–** | **–** | **31,831,001** |
| Amounts due from credit institutions | **–** | **149,300** | **–** | **149,300** |
| Loans to customers | **–** | **–** | **45,348,168** | **45,348,168** |
| Finance lease receivables | **–** | **–** | **172,423,299** | **172,423,299** |
| Other financial assets | **–** | **–** | **200,902** | **200,902** |
| **Total assets whose fair values are disclosed** | **31,831,001** | **149,300** | **217,972,369** | **249,952,670** |
| **Liabilities whose fair values are disclosed** | | | | |
| Amounts due to the Shareholder | **–** | **68,787,456** | **–** | **68,787,456** |
| Amounts due to credit institutions | **–** | **36,813,430** | **–** | **36,813,430** |
| Debt securities issued | **23,362,400** | **19,307,792** | **–** | **42,670,192** |
| Other financial liabilities | **–** | **–** | **7,042,816** | **7,042,816** |
| **Total liabilities whose fair values are disclosed** | **23,362,400** | **124,908,678** | **7,042,816** | **155,313,894** |

| *31 December 2017* | *Fair value measurement with the use of* | | | |
|---|---|---|---|---|
| | *Quoted prices in active markets (Level 1)* | *Significant observable inputs (Level 2)* | *Significant non-observable inputs (Level 3)* | *Total* |
| **Assets whose fair values are disclosed** | | | | |
| Cash and cash equivalents | 41,239,167 | – | – | 41,239,167 |
| Amounts due from credit institutions | – | 149,809 | – | 149,809 |
| Loans to customers | – | – | 36,590,292 | 36,590,292 |
| Finance lease receivables | – | – | 178,557,626 | 178,557,626 |
| Other financial assets | – | – | 162,523 | 162,523 |
| **Total assets whose fair values are disclosed** | 41,239,167 | 149,809 | 215,310,441 | 256,699,417 |
| **Liabilities whose fair values are disclosed** | | | | |
| Amounts due to the Shareholder | – | 74,379,171 | – | 74,379,171 |
| Amounts due to credit institutions | – | 40,086,083 | – | 40,086,083 |
| Debt securities issued | 46,270,941 | – | – | 46,270,941 |
| Other financial liabilities | – | – | 2,579,367 | 2,579,367 |
| **Total liabilities whose fair values are disclosed** | 46,270,941 | 114,465,254 | 2,579,367 | 163,315,562 |

*(thousands of tenge)*

## 24. Fair value of financial instruments (continued)

### Financial instruments not carried at fair value in the statement of financial position

Set out below is a comparison of the carrying values and fair values of the Company's financial instruments.

| | *30 June 2018 (unaudited)* | | | *31 December 2017* | | |
|---|---|---|---|---|---|---|
| | *Carrying amount* | *Fair value* | *Unrecognised gain/ (loss)* | *Carrying amount* | *Fair value* | *Unrecognised gain/ (loss)* |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **31,831,001** | **31,831,001** | **–** | 41,239,167 | 41,239,167 | – |
| Amounts due from credit institutions | **149,300** | **149,300** | **–** | 149,809 | 149,809 | – |
| Loans to customers | **48,255,832** | **45,348,168** | **(2,907,664)** | 45,066,761 | 36,590,292 | (8,476,469) |
| Finance lease receivables | **173,257,248** | **172,423,299** | **(833,949)** | 183,288,007 | 178,557,626 | (4,730,381) |
| Other assets | **200,902** | **200,902** | **–** | 162,523 | 162,523 | – |
| | **253,694,283** | **249,952,670** | **(3,741,613)** | 269,906,267 | 256,699,417 | (13,206,850) |
| **Financial liabilities** | | | | | | |
| Due to the Shareholder | **69,926,940** | **68,787,456** | **1,139,484** | 75,539,402 | 74,379,171 | 1,160,231 |
| Amounts due to credit institutions | **37,686,276** | **36,813,430** | **872,846** | 40,429,623 | 40,086,083 | 343,540 |
| Debt securities issued | **47,026,943** | **42,670,192** | **4,356,751** | 46,969,316 | 46,270,941 | 698,375 |
| Other liabilities | **7,042,816** | **7,042,816** | **–** | 2,579,367 | 2,579,367 | – |
| | **161,682,975** | **155,313,894** | **6,369,081** | 165,517,708 | 163,315,562 | 2,202,146 |
| **Total unrecognised change in unrealized fair value** | | | **2,627,468** | | | (11,004,704) |

### Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements.

### 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 the carrying amounts approximate to their fair value.

### Fixed and variable rate financial instruments

The fair values of unquoted financial instruments are estimated by discounting future cash flows using rates currently available for financial instruments on similar terms, credit risk and remaining maturities.

For assets whose fair value is disclosed in the financial statements, future cash flows are discounted using average market rate for financial instruments with similar maturities based on the statistical data published by the NBRK. The indicated approach is used in determining the fair value of loans issued to clients and finance lease receivables.

In case of liabilities with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities.

- The amounts due to the Shareholder are discounted at the average rate of bonds of the Ministry of Finance of the Republic of Kazakhstan with similar maturity;
- The amounts due to credit institutions are discounted at the average market rate of financial organizations based on data placed on Bloomberg.

The future cash flows comprise repayment of principal and interest calculated at the interest rate stipulated by the agreement to the amount of principal.

*(thousands of tenge)*

## 25. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

Republic of Kazakhstan, acting through the State Property Committee within the Ministry of Finance, controls the Company and has a significant impact on its activities.

The Republic of Kazakhstan through its state agencies and other institutions directly and indirectly controls and has significant influence over a significant number of entities (together referred to as "entities associated with the state"). The Company executes bank transactions with these entities such as raising of loans and placement of cash.

The volumes of related party transactions, outstanding balances at the end of the year, and related expense and income for the six months ended 30 June 2018 are as follows:

| | *30 June 2018 (unaudited)* | | | *31 December 2017* | | |
|---|---|---|---|---|---|---|
| | *Shareholder* | *Companies under common control* | *Other related parties* | *Shareholder* | *Companies under common control* | *Other related parties* |
| **Finance lease receivables** | – | **257,692** | – | – | 255,454 | – |
| Less allowance for impairment | – | **(19,221)** | – | – | – | – |
| **Finance lease receivables net of allowance** | – | **238,471** | – | – | 255,454 | – |
| **Amounts due to the Shareholder** | **69,926,940** | – | – | 75,539,402 | – | – |
| **Debt securities issued** | **35,839,339** | – | – | 35,786,367 | – | – |
| **Financial guarantees** | – | **1,720,842** | – | – | 1,897,933 | – |

| | *For the six months ended 30 June* | | | | | |
|---|---|---|---|---|---|---|
| | *2018 (unaudited)* | | | *2017 (unaudited)* | | |
| | *Shareholder* | *Companies under common control* | *Other related parties* | *Shareholder* | *Companies under common control* | *Other related parties* |
| Interest income on finance lease receivables | – | **2,240** | – | – | 21,018 | – |
| Credit loss expense | – | **(19,221)** | – | – | (8,124) | – |
| Interest expenses | **(2,491,766)** | – | – | (2,594,499) | – | – |
| Other expense | – | – | – | – | (469) | – |

Interest rates on finance lease receivables amounted from 6% to 13.4% per annum with term from 5 to 10 years.

Compensation of key management personnel, consisting of 5 members (for six months ended 30 June 2017: 5 persons) comprised the following:

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2018 (unaudited)* | *2017 (unaudited)* |
| Salaries and other short-term benefits | **28,467** | 27,995 |
| Social security contributions | **2,684** | 2,778 |
| **Total compensation to the key management personnel** | **31,151** | 30,773 |

## 26. Events after the end of the interim period

On 31 July 2018, the Company received a short-term loan from the Shareholder in the amount of KZT 10,000,000 thousand with maturity in July 2019. In September 2018, the Company carried out early repayment of its liabilities to the Islamic Development Bank and BOT Lease Co. Ltd. as of 30 June 2018 with the carrying amount of KZT 1,838,874 thousand and KZT 6,961,696 thousand, respectively.