

KazAgroFinance Joint Stock Company

Interim condensed financial statements

*As at 30 June 2017
with report on results of 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 2017 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.

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



Bakhtiyor Eshonkulov
Auditor / Audit partner



Auditor Qualification Certificate No. MΦ-0000099 dated 27 August 2012

050060, Republic of Kazakhstan, Almaty
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8 September 2017



Gulmira Turmagambetova
General director
Ernst & Young LLP



State Audit License for audit activities on
the territory of the Republic of Kazakhstan:
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Kazakhstan on 15 July 2005

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

(thousands of tenge)

	Note	30 June 2017 (unaudited)	31 December 2016
Assets			
Cash and cash equivalents	3	39,107,024	22,989,891
Amounts due from credit institutions	4	138,257	662,881
Derivative financial assets	5	268,500	829,066
Loans to customers	6	52,808,256	54,841,601
Finance lease receivables	7	180,412,588	197,402,364
Property held for finance lease	8	5,571,603	5,292,406
Current corporate income tax assets		1,061,024	894,899
Property and equipment		1,056,207	1,010,749
Intangible assets		292,969	216,334
VAT and other taxes recoverable		2,127,116	1,874,026
Advances paid	9	5,790,610	284,744
Other assets	15	517,500	484,261
Total assets		289,151,654	286,783,222
Liabilities			
Due to the Shareholder	10	82,734,433	85,638,633
Due to credit institutions	11	40,861,957	39,556,372
Debt securities issued	12	46,903,970	46,841,139
Deferred corporate income tax liabilities		1,799,087	2,133,275
Advances received	14	3,653,545	2,502,225
VAT liabilities		3,147,694	2,945,520
Other liabilities	15	10,147,391	7,798,233
Total liabilities		189,248,077	187,415,397
Equity			
Share capital	16	82,837,204	82,837,204
Additional paid-in capital	16	23,407,139	23,282,853
Reserve funds	16	1,436,184	1,436,184
Provision for notional distribution	16	(9,382,257)	(9,372,015)
Retained earnings		1,605,307	1,183,599
Total equity		99,903,577	99,367,825
Total liabilities and equity		289,151,654	286,783,222
Book value per common share, Tenge	16	1,202.49	1,196.94

Izbastin Kanysh Temirtayevich



Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief accountant

8 September 2017

The accompanying selected explanatory notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF INCOME

For the six months ended 30 June 2017

(thousands of tenge)

	Note	<i>For the six-month period ended 30 June</i>	
		<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Interest income			
Finance lease receivables		9,731,842	8,170,523
Loans to customers		3,180,387	2,867,431
Cash and cash equivalents		1,105,791	1,023,577
		14,018,020	12,061,531
Interest expenses			
Due to the Shareholder		(2,594,499)	(3,267,821)
Debt securities issued		(2,275,029)	(1,664,032)
Due to credit institutions		(1,756,076)	(850,335)
		(6,625,604)	(5,782,188)
Net interest income		7,392,416	6,279,343
Provision for impairment of loans to customers and finance lease receivables	6, 7	(3,364,943)	(2,162,738)
Net interest income less allowance for impairment of loans to customers and finance lease receivables		4,027,473	4,116,605
Net (losses)/gains from transactions with derivative financial assets	5	(524,573)	698,559
Net gains/(losses) from foreign currencies		6,311	(6,900)
Other income		211,960	318,736
Non-interest income		(306,302)	1,010,395
Personnel expenses		(960,841)	(975,853)
Other operating expenses		(332,131)	(341,361)
Net loss from restructuring of loans to customers		(255,208)	(251,292)
Other impairment and provisioning expenses	18	(411,730)	(112,692)
Amortisation		(87,938)	(85,742)
Non-interest expenses		(2,047,848)	(1,766,940)
Profit before corporate income tax benefit		1,673,323	3,360,060
Corporate income tax benefit	13	362,699	105,108
Profit for the period		2,036,022	3,465,168

Izbastin Kanysh Temirtayevich



Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief accountant

8 September 2017

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2017***(thousands of tenge)*

	<i>For the six-month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
<i>Note</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the period	2,036,022	3,465,168
Other comprehensive income	-	-
Total comprehensive income for the reporting period	2,036,022	3,465,168

Izbastin Kanysh Temirtayevich



Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief accountant

8 September 2017

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(thousands of tenge)

	Share capital	Additional paid-in capital	Reserve funds	Provision for notional distribution	(Accumulated deficit) / retained earnings	Total
At 31 December 2015	82,837,204	22,248,866	1,436,184	(9,047,665)	(2,045,030)	95,429,559
Total comprehensive income for the reporting period (unaudited)	-	-	-	-	3,465,168	3,465,168
Income from initial recognition of loans from the Shareholder at fair value net of taxes (Note 16) (unaudited)	-	993,038	-	-	-	993,038
Provision for notional distribution for the period net of tax (Note 16) (unaudited)	-	-	-	(173,046)	-	(173,046)
At 30 June 2016 (unaudited)	82,837,204	23,241,904	1,436,184	(9,220,711)	1,420,138	99,714,719
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 16) (unaudited)	-	-	-	-	(1,614,314)	(1,614,314)
Income from initial recognition of loans from the Shareholder at fair value net of taxes (Note 16) (unaudited)	-	124,286	-	-	-	124,286
Provision for notional distribution for the period net of tax (Note 16) (unaudited)	-	-	-	(10,242)	-	(10,242)
At 30 June 2017 (unaudited)	82,837,204	23,407,139	1,436,184	(9,382,257)	1,605,307	99,903,577

Izbastin Kanyshtemirayevich



Shodanova Gulnara Takishevna

Chairman of the Management Board

Chief accountant

8 September 2017

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INTERIM CONDENSED STATEMENT OF CASH FLOWS**For the six months ended 30 June 2017***(thousands of tenge)*

	Note	<i>For the six-month period ended 30 June</i>	
		<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Cash flows from operating activities			
Interest received		10,815,279	10,281,977
Interest paid		(4,935,322)	(3,602,135)
Realized gains less losses from derivative financial assets	5	35,993	51,444
Personnel expenses paid		(1,021,233)	(909,282)
Other operating expenses paid		(387,541)	(429,072)
Other income received		187,718	98,004
Realised losses less gains from dealing in foreign currencies		(141,038)	(20,831)
Cash flows from operating activities before changes in operating assets and liabilities		4,553,856	5,470,105
<i>Net decrease/ (increase) in operating assets</i>			
Amounts due from credit institutions		524,225	1,174,529
Loans to customers		3,110,963	1,901,633
Finance lease receivables		15,197,600	(1,453,526)
Property held for finance lease		–	188,573
VAT and other taxes recoverable		(253,090)	(350,207)
Advances paid		(5,491,004)	(4,374,408)
Other assets		(203,303)	(198,908)
<i>Net increase/ (decrease) in operating liabilities</i>			
Advances received		1,151,320	2,934,723
Other liabilities		2,362,346	(429,154)
Net cash flows from operating activities before corporate income tax		20,952,913	4,863,360
Corporate income tax paid		(166,125)	(157,546)
Net cash flow from operating activities		20,786,788	4,705,814
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(211,257)	(15,004)
Proceeds from sale of property and equipment		1,282	1,682
Net cash used in investing activities		(209,975)	(13,322)
Cash flows from financing activities			
Proceeds from loans from the Shareholder		507,463	5,336,780
Repayment of loans from the Shareholder		(5,610,902)	(13,592,044)
Proceeds from loans from credit institutions		5,202,363	788,397
Payment of loans received from credit institutions		(3,518,870)	(4,142,773)
Dividends paid to the Shareholder	16	(807,157)	–
Net cash used in financing activities		(4,227,103)	(11,609,640)
Effect of exchange rates changes on cash and cash equivalents		(232,577)	42,820
Net increase in cash and cash equivalents		16,117,133	(6,874,328)
Cash and cash equivalents, beginning	3	22,989,891	23,874,332
Cash and cash equivalents, ending	3	39,107,024	17,000,004

Izbastin Kanysh Temirtayevich

Shodanova Gulnara Takishevna

8 September 2017

The accompanying selected explanatory notes on pages 6 to 18 are an integral part of these interim condensed financial statements.

Chairman of the Management Board

Chief accountant

(Thousands of Tenge)

1. Principal activities

KazAgroFinance JSC (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:

- 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 and provided for by this Charter;
- 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 2017 and as at 31 December 2016 the Company has 15 registered branches in the Republic of Kazakhstan.

As at 30 June 2017 and 31 December 2016, 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 2017 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 2016.

Changes in accounting policy

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 2016, except for the adoption of new Standards effective as of 1 January 2017. The Company has not adopted standards, interpretations or amendments thereto that have been early issued but are not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material effect on the interim condensed financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 7 Statement of Cash Flows – Disclosure initiative

Under these amendments, entities must disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., foreign exchange gains or losses). On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Disclosure of additional information in the interim condensed financial statements is not mandatory for the Company, but it will disclose additional information in the annual financial statements for the year ending 31 December 2017.

Amendments to IAS 12 Income taxes – Recognition of deferred tax assets for unrealized losses

The amendments clarify that when assessing the existence of taxable profits against which the deductible temporary difference can be offset, the entity must consider whether the tax laws restrict the sources of taxable profits against which it can make deductions when reversing such a deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The entities must apply these amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the entity applies this relief, it must disclose this fact.

The Company adopted these amendments retrospectively however their application has no impact on the financial position or performance of the Company.

(Thousands of Tenge)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual IFRS improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12 apply to the entity's interest in a subsidiary, a joint venture or an associate (or part of its interest in a joint venture or associate) that is classified as held for sale or is included in the disposal group classified as held for sale. These amendments had no impact on the financial statements of the Company, since the Company does not have any interest in other entities.

3. Cash and cash equivalents

Cash comprises:

	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i>
Cash in current bank accounts, Tenge	28,514,360	10,384,373
Cash on current bank accounts, foreign currency	10,592,664	12,605,518
Cash and cash equivalents	39,107,024	22,989,891

As at 30 June 2017, the funds on current accounts with one bank amounted to KZT 11,673,759 thousand or 29.9% of total cash and cash equivalents (at 31 December 2016: KZT 7,584,844 thousand or 33.0%).

4. Amounts due from credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i>
Cash on current accounts restricted in use	138,257	662,881
Amounts due from credit institutions	138,257	662,881

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

5. Derivative financial assets

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

	<i>30 June 2017 (unaudited)</i>			<i>31 December 2016</i>		
	<i>Notional principal</i>	<i>Fair values</i>		<i>Notional principal</i>	<i>Fair values</i>	
		<i>Asset</i>	<i>Liability</i>		<i>Asset</i>	<i>Liability</i>
Currency options in US dollars	483,582	204,375	-	1,199,056	743,027	-
Currency options in euro	191,072	64,125	-	242,770	86,039	-
	674,654	268,500	-	1,441,826	829,066	-

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Net losses/gains from transactions with financial assets include the following positions:

	<i>For the six-month period ended 30 June</i>	
	<i>2017</i> <i>(unaudited)</i>	<i>2016</i> <i>(unaudited)</i>
Realised gains from transactions with derivative financial assets	35,993	51,444
Unrealised (losses)/gains from transactions with derivative financial assets	(560,566)	647,115
Net (losses)/gains from transactions with derivative financial assets	(524,573)	698,559

*(Thousands of Tenge)***6. Loans to customers**

Loans to customers comprise:

	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i>
Loans to customers	62,097,939	63,711,411
Less provision for impairment	(9,289,683)	(8,869,810)
Loans to customers	52,808,256	54,841,601

Loans to customers comprise loans issued to entities carrying out its activities in the agricultural sector.

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers is as follows:

	<i>For the six-month period</i> <i>ended 30 June</i>	
	<i>2017</i> <i>(unaudited)</i>	<i>2016</i> <i>(unaudited)</i>
At 1 January		
Charges	8,869,810	5,594,631
As at 30 June	419,873	1,238,450
	9,289,683	6,833,081
Individual impairment	8,442,321	5,714,990
Collective impairment	847,362	1,118,091
As at 30 June	9,289,683	6,833,081
Total amount of loans to customers individually determined to be impaired before deducting impairment allowance	18,225,338	15,613,812

Loans individually determined as impaired

Interest income accrued on individually impaired loans for the six months ended 30 June 2017, amounted to KZT 644,450 thousand (for the six months ended 30 June 2016: KZT 502,850 thousand).

7. Finance lease receivables

The analysis of finance lease receivables at 30 June 2017, is as follows:

<i>30 June 2017</i> <i>(unaudited)</i>	<i>Not later</i> <i>than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Gross investments in finance lease	52,003,419	150,940,947	73,674,413	276,618,779
Unearned finance income on finance lease of future periods	(1,986,797)	(35,728,140)	(35,769,902)	(73,484,839)
Total investments into finance lease	50,016,622	115,212,807	37,904,511	203,133,940
Less provision for impairment	(5,594,561)	(12,887,018)	(4,239,773)	(22,721,352)
Net investment in finance lease	44,422,061	102,325,789	33,664,738	180,412,588

An analysis of finance lease receivable as of 31 December 2016 is presented below:

<i>31 December 2016</i>	<i>Not later</i> <i>than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Gross investments in finance lease	60,796,212	153,879,474	86,980,230	301,655,916
Unearned finance income on finance lease of future periods	(1,827,975)	(38,506,768)	(44,142,527)	(84,477,270)
Total investments into finance lease	58,968,237	115,372,706	42,837,703	217,178,646
Less provision for impairment	(4,482,584)	(11,152,713)	(4,140,985)	(19,776,282)
Net investment in finance lease	54,485,653	104,219,993	38,696,718	197,402,364

*(Thousands of Tenge)***7. Finance lease receivables (continued)****Allowance for impairment of finance lease receivables**

A reconciliation of allowance for impairment of finance lease receivables is as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
At 1 January	19,776,282	16,863,753
Charges	2,945,070	924,288
As at 30 June	22,721,352	17,788,041
Individual impairment	16,157,475	10,845,467
Collective impairment	6,563,877	6,942,574
As at 30 June	22,721,352	17,788,041
Total amount of finance lease receivables, individually determined to be impaired, before deducting impairment allowance	51,719,478	35,786,419

Finance lease receivables individually assessed as impaired

Interest income accrued on individually impaired finance lease receivables for the six months ended 30 June 2017, amounted to KZT 1,196,316 thousand (for the six months ended 30 June 2016: KZT 790,968 thousand).

8. Property held for finance lease

Property held for finance lease comprises the following:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Equipment held for finance lease	5,238,647	5,008,181
Collateral transferred to ownership	870,335	721,408
Other materials	35,623	15,228
	6,144,605	5,744,817
Less allowance for impairment (<i>Note 18</i>)	(573,002)	(452,411)
Property held for finance lease	5,571,603	5,292,406

9. Advances paid

Advances paid comprise the following:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Advances paid for agricultural machinery	5,537,805	179,190
Advances paid for equipment	29,495	10,770
Other advances paid	237,561	123,931
	5,804,861	313,891
Less allowance for impairment (<i>Note 18</i>)	(14,251)	(29,147)
Total advances paid	5,790,610	284,744

As at 30 June 2017 and 31 December 2016, advance payments represent prepayment for delivery of agricultural machinery, equipment and cattle stock for further transfer to finance lease.

*(Thousands of Tenge)***10. Due to the Shareholder**

	<i>30 June 2017</i> <i>(unaudited)</i>	<i>31 December 2016</i>
Loans from the Shareholder	81,927,276	85,638,633
Dividends payable	807,157	-
Amounts due to the Shareholder	82,734,433	85,638,633

Investment loan

As at 31 December 2017 and 2016, the due to the Shareholder includes the amount due under the Framework Loan Agreement No. 35 (the "Agreement"). In accordance with this Agreement, the Company obtains a long-term investment loan to develop, expand and modify material production in agricultural sector. Proceeds from the loan are used by the Company to finance long term investment projects. The funding is carried out by the Shareholder from the National Fund under bond program through National Bank of the Republic of Kazakhstan. The agreement is effective until 30 December 2013. As at 30 June 2017 and 31 December 2016, the financing limit under the Agreement amounted to KZT 113,459,000 thousand with a nominal interest rate of 1.02% per annum. The effective interest rate on loans obtained under the Agreement is 6.0% per annum. As at 30 June 2017, the amount due under this Agreement is KZT 55,656,299 thousand (31 December 2016: KZT 59,453,707 thousand).

On 24 June 2014, the Company and the Shareholder entered into the framework loan agreement No. 63 in the amount of KZT 30,363,131 thousand for a period of 7 (seven) years and a nominal interest rate of 5.8% per annum. As at 30 June 2017, the amount due under this agreement is KZT 12,067,902 thousand (as at 31 December 2016: KZT 12,149,796 thousand).

On 23 September 2014, the Company and the Shareholder entered into a framework agreement No. 113 for a loan in the amount of KZT 14,272,998 thousand for the period of 9 (nine) years and an interest rate of 10% per annum subject to subsidizing by the government, of which 7% is subsidized by the government and 3% per annum is paid by the Company. As at 30 June 2017, the amount due under this agreement is KZT 6,477,952 thousand (as at 31 December 2016: KZT 6,666,979 thousand).

On 1 October 2014, the Company and the Shareholder entered into the loan agreement No. 118 in the amount of KZT 6,189,000 thousand for a period of 7 (seven) years and a nominal interest rate of 1.02% per annum, the effective interest rate on a loan amounts to 7.17% per annum. As at 30 June 2017, the amount due under this agreement is KZT 4,552,565 thousand (as at 31 December 2016: KZT 4,425,369 thousand).

On 12 May 2016, the Company and the Shareholder entered into the loan agreement No. 64 in the amount of KZT 3,800,000 thousand for a period of 7 (seven) years and a nominal interest rate of 1.02% per annum, the effective interest rate on a loan amounts to 11.97% per annum. As at 30 June 2017, the amount due under this agreement is KZT 2,812,558 thousand (as at 31 December 2016: KZT 2,942,782 thousand).

On 16 May 2017, the Company and the Shareholder entered into the framework agreement No. 39 in the amount of KZT 8,220,600 thousand for a period of 15 (fifteen) years and a nominal interest rate of 1.02% per annum, the effective interest rate on a loan amounts to 9.02% per annum. As at 30 June 2017, the amount due under this agreement is KZT 360,000 thousand.

As at 30 June 2017 and 31 December 2016 the Company has no obligations on execution of financial covenants under agreements with the Shareholder. The amount due to the Shareholder is not secured by collateralized property.

*(Thousands of Tenge)***11. Due to credit institutions**

Amounts due to credit institutions comprise:

	<i>Currency</i>	<i>Maturity</i>	<i>Interest rate, %</i>	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
SB Sberbank of Russia JSC	Tenge	16 June 2021	14.0%	9,099,378	4,036,736
Eurasian Development Bank	Tenge	7 and 14 July 2018	12.0%	6,250,833	6,249,375
Islamic Development Bank	US dollars	21 September 2020	6.0%	6,111,515	7,101,016
Societe Generale Bank	US dollars	20 May 2020	6 months LIBOR + 3.0%	4,856,413	5,863,642
Eurasian Development Bank	Tenge	6 April 2018	12.0%	3,595,168	3,597,318
Roseksimbank JSC	Russian rouble	20 December 2023	5.75%	3,186,397	3,223,608
BOT Lease Co. Ltd	Euro	22 December 2021	4.0%	2,941,541	2,822,493
Deere Credit, Inc	US dollars	20 November 2019	5.6%	1,797,645	2,231,294
Landesbank Berlin AG	Euro	30 December 2019	6 month EURIBOR +		
			1.15%	1,274,614	1,465,250
GazPromBank JSC	US dollars	30 April 2019	4.3%	664,410	863,359
Rosselhozbank JSC	US dollars	24 April 2019	4.9%	525,774	679,990
Rosselhozbank JSC	US dollars	24 May 2018	4.9%	348,607	543,430
CNH International SA	US dollars	8 April 2018	6.0%	209,662	325,258
SB Sberbank of Russia JSC	Russian rouble	16 June 2021	16.0%	-	553,603
Due to credit institutions				40,861,957	39,556,372

On 15 June 2017, the Company utilised the fourth tranche in the amount of KZT 5,000,000 thousand for a period of 4 years at the 14.0% rate per annum within the credit line agreement with SB Sberbank of Russia JSC.

Restrictive covenants

In accordance with the terms of the credit organization loan agreements, the Company is required to comply with certain financial covenants. In particular, under the agreement with the Eurasian Development Bank, the Company is obliged to comply with prudential standards established for KazAgro's subsidiaries in the agro-industrial complex area of the Republic of Kazakhstan. Under the agreement with Societe Generale Bank, the Company must comply with certain ratio between the operating profit (EBIT) and interest expenses. As at 30 June 2017 and 31 December 2016, the Company complied with the requirements related to compliance with the restrictive covenants under the agreements with these credit organizations.

12. Debt securities issued

As at 30 June 2017 and 31 December 2016 debt securities issued comprise the following:

	<i>Maturity</i>	<i>Rate, %</i>	<i>Currency</i>	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Third issue of bonds as part of the first bond program	16 January 2023	8.0%	Tenge	16,853,213	16,802,814
First issue of coupon bonds	12 June 2024	8.5%	Tenge	3,945,827	3,944,692
Second issue of coupon bonds	12 June 2022	8.5%	Tenge	17,991,675	17,985,346
Second issue of bonds as part of the second bond program	14 November 2021	15.0%	Tenge	8,113,255	8,108,287
Debt securities issued				46,903,970	46,841,139

As at 30 June 2017 and 31 December 2016, the Company's debt securities issued are represented by bonds issued in Tenge.

*(Thousands of Tenge)***13. Taxation**

The corporate income tax benefit comprises:

	<i>For the six-month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current corporate income tax charge	-	-
Deferred corporate income tax charge/(benefit) – origination and reversal of temporary differences	(334,188)	99,890
Less: deferred corporate income tax recognized in equity	(28,511)	(204,998)
Corporate income tax benefit	(362,699)	(105,108)

14. Advances received

As at 30 June 2017, advances received in the amount of KZT 3,653,545 thousand (31 December 2016: KZT 2,502,225 thousand) represent prepayments made by the customers for the property held for finance lease that was acquired under loan agreements or finance lease agreements, but not transferred to the lessee

15. Other assets and other liabilities

As at 30 June 2017 and 31 December 2016, other assets comprise:

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>(unaudited)</i>	
Accounts receivable	1,100,427	942,276
Deferred expenses	215,531	145,983
Other assets	707	85
	<u>1,316,665</u>	<u>1,088,344</u>
Less – allowance for impairment (<i>Note 18</i>)	(799,165)	(604,083)
Other assets	517,500	484,261

As at 30 June 2017 and 31 December 2016, other liabilities comprise:

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>(unaudited)</i>	
Payables to suppliers	5,604,468	5,482,712
Deferred interest income	2,044,627	714,241
Grants on repayment of loans to customers and finance lease	1,996,351	1,010,397
Due to employees	257,941	294,027
Taxes other than corporate income tax payable	56,911	107,991
Other current liabilities	187,093	188,865
Other liabilities	10,147,391	7,798,233

16. Equity

As at 30 June 2017 and 31 December 2016, authorised and outstanding common shares of the Company in the amount of 82,837,204 shares have been fully paid by the Shareholder at the price of placement of KZT 1,000 thousand per one common share.

In accordance with the decision of the sole 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 Regulation of the Company, provisions are made for general risks including future losses and other unforeseen risks and obligations. The reserve capital is subject to distribution on the basis of the Shareholder's decision. As at 30 June 2017 and 31 December 2016, the reserve fund amounted to KZT 1,436,184 thousand.

*(Thousands of Tenge)***16. Equity (continued)**

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

	<i>Additional paid-in capital</i>	<i>Provision for deemed distribution</i>
At 31 December 2015	22,248,866	(9,047,665)
Income from initial recognition of loans from the Shareholder at fair value (unaudited)	1,241,297	-
Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited)	(248,259)	-
Provision for deemed distribution (unaudited)	-	(216,307)
Tax effect of recognition of provision for notional distribution (unaudited)	-	43,261
At 30 June 2016 (unaudited)	<u>23,241,904</u>	<u>(9,220,711)</u>
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 deemed distribution (unaudited)	-	(12,802)
Tax effect of recognition of provision for notional distribution (unaudited)	-	2,560
At 30 June 2017 (unaudited)	<u>23,407,139</u>	<u>(9,382,257)</u>

As at 30 June 2017, book value per one common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 1,202.49 (31 December 2016: KZT 1,196.94).

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Assets	289,151,654	286,783,222
Intangible assets	(292,969)	(216,334)
Liabilities	(189,248,077)	(187,415,397)
Net assets	<u>99,610,608</u>	<u>99,151,491</u>
Number of common shares as at the calculation date, shares	82,837,204	82,837,204
Book value per share, Tenge	1,202.49	1,196.94

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

Low prices for crude oil and the volatility of the Tenge's exchange rate against major foreign currencies maintain a negative impact on the Kazakhstan economy. Interest rates in Tenge remain high. The combination of these factors, along with other factors, led to a decrease in the availability of capital, increase in the cost of capital, higher inflation and uncertainty about economic growth. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Litigations

In the ordinary course of business, the Company 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 Company.

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

(Thousands of Tenge)

17. Commitments and contingencies (continued)**Taxation**

Kazakhstan commercial, and in particular, tax legislation 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. 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.

Credit related commitments

As at 30 June 2017 and 31 December 2016 contractual commitments and credit related contingencies of the Company comprise:

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>(unaudited)</i>	
Undrawn credit facilities	4,815,058	3,605,734
Issued guarantees	2,055,639	2,342,807
Total	6,870,697	5,948,541

On 16 June 2011 the Company entered into the agreement for granting a financial guarantee in the amount of 6,661,130 Islamic Dinar to Islamic Development Bank to ensure obligations of Fund for Financial Support of Agriculture under the loan arrangement. This guarantee was secured by counter-guarantee of KazAgro. As at 30 June 2017 the amount of the loan obtained by Fund for Financial Support of Agriculture JSC totalled USD 6,379 thousand, or KZT 2,055,639 thousand (31 December 2016: USD 7,029 thousand or KZT 2,342,807 thousand).

18. Other impairment and provisioning expenses

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

	<i>Property held for finance lease</i>	<i>Advances paid</i>	<i>Other assets</i>	<i>Total</i>
At 31 December 2015	853,339	171,238	514,876	1,539,453
Charge/(decrease)	84,808	(23,759)	51,643	112,692
Write-off	(460,317)	-	-	(460,317)
At 30 June 2016 (unaudited)	477,830	147,479	566,519	1,191,828
At 31 December 2016	452,411	29,147	604,083	1,085,641
Charge/(decrease)	231,510	(14,862)	195,082	411,730
Write-off	(110,919)	(34)	-	(110,953)
At 30 June 2017 (unaudited)	573,002	14,251	799,165	1,386,418

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

19. 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; and
- 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)***19. Fair values of financial instruments (continued)**

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

	<i>Fair value measurement with the use of</i>			<i>Total</i>
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	
30 June 2017 (unaudited)				
Financial assets measured at fair value				
Derivative financial assets	–	268,500	–	268,500
Total financial assets measured at fair value	–	268,500	–	268,500
Assets fair value of which is disclosed				
Cash and cash equivalents	39,107,024	–	–	39,107,024
Amounts due from credit institutions	–	138,257	–	138,257
Loans to customers	–	–	50,441,436	50,441,436
Finance lease receivables	–	–	181,581,729	181,581,729
Other financial assets	–	–	301,362	301,362
Total financial assets whose fair value is disclosed	39,107,024	138,257	232,324,527	271,569,808
Financial liabilities whose fair value is disclosed				
Due to the Shareholder	–	78,616,222	–	78,616,222
Due to credit institutions	–	41,418,399	–	41,418,399
Outstanding securities	46,940,993	–	–	46,940,993
Other financial liabilities	–	–	5,604,468	5,604,468
Total financial liabilities whose fair value is disclosed	46,940,993	120,034,621	5,604,468	172,580,082
	<i>Fair value measurement with the use of</i>			
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant non-observable inputs (Level 3)</i>	<i>Total</i>
31 December 2016				
Financial assets measured at fair value				
Derivative financial assets	–	829,066	–	829,066
Total financial assets measured at fair value	–	829,066	–	829,066
Assets fair value of which is disclosed				
Cash and cash equivalents	22,989,891	–	–	22,989,891
Amounts due from credit institutions	–	661,881	–	662,881
Loans to customers	–	–	47,425,415	47,425,415
Finance lease receivables	–	–	198,263,817	198,263,817
Other assets	–	–	338,193	338,193
Total financial assets whose fair value is disclosed	22,989,891	662,881	246,027,425	269,680,197
Financial liabilities whose fair value is disclosed				
Due to the Shareholder	–	81,528,905	–	81,528,905
Due to credit institutions	–	35,805,084	–	35,805,084
Outstanding securities	45,675,214	–	–	45,675,214
Other liabilities	–	–	5,482,712	5,482,712
Total financial liabilities whose fair value is disclosed	45,675,214	117,333,989	5,482,712	168,491,915

*(Thousands of Tenge)***19. Fair values of financial instruments (continued)****Financial instruments recorded at fair value**

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivative instruments valued using a valuation technique with market observable inputs. As for embedded derivative instruments assumptions are made on the basis of market rates adjusted by specific characteristics of the instrument. The Company uses Black-Scholes model to evaluate its financial instruments and valuation models (such as risk free rates and volatility coefficients), are determined on the basis of financial instruments with similar characteristics quoted at Bloomberg.

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

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

	30 June 2017 (unaudited)			31 December 2016		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	39,107,024	39,107,024	–	22,989,891	22,989,891	–
Amounts due from credit institutions	138,257	138,257	–	662,881	662,881	–
Loans to customers	52,808,256	50,441,436	(2,366,820)	54,841,601	47,425,415	(7,416,186)
Finance lease receivables	180,412,588	181,581,729	1,169,141	197,402,364	198,263,817	861,453
Other assets	301,362	301,362	–	338,193	338,193	–
	<u>272,767,487</u>	<u>271,569,808</u>	<u>(1,197,679)</u>	<u>276,234,930</u>	<u>269,680,197</u>	<u>(6,554,733)</u>
Financial liabilities						
Due to the Shareholder	82,734,433	78,616,222	4,118,211	85,638,633	81,528,905	4,109,728
Due to credit institutions	40,861,957	41,418,399	(556,442)	39,556,372	35,805,084	3,751,288
Outstanding securities	46,903,970	46,940,993	(37,023)	46,841,139	45,675,214	1,165,925
Other liabilities	5,604,468	5,604,468	–	5,482,712	5,482,712	–
	<u>176,104,828</u>	<u>172,580,082</u>	<u>3,524,746</u>	<u>177,518,856</u>	<u>168,491,915</u>	<u>9,026,941</u>
Total unrecognised change in unrealised fair value			<u>2,327,067</u>			<u>2,472,208</u>

Methods of measurement 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.

In case of assets with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities based on the statistical data published by the National Bank of the Republic of Kazakhstan. The indicated approach is used in determining the fair value of loans issued to clients and finance lease receivables.

*(Thousands of Tenge)***19. Fair values of financial instruments (continued)****Fixed and variable rate financial instruments (continued)**

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 attraction of funds from 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.

20. 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. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities (excluding the Shareholder)

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").

Transactions with non government-related entities including the Shareholder

The volumes of related party transactions, outstanding balances at the reporting date, and related expense and income for the six month period are as follows:

	<i>30 June 2017 (unaudited)</i>		<i>31 December 2016</i>	
	<i>Shareholder</i>	<i>Companies common control</i>	<i>Shareholder</i>	<i>Companies common control</i>
Finance lease receivables	–	248,048	–	432,032
Less provision for impairment	–	(14,039)	–	(22,163)
Finance lease receivables less provision for impairment	–	234,009	–	409,869
Loans obtained	81,927,276	–	85,638,633	–
Dividends payable	807,157	–	–	–
Debt securities issued	35,735,527	–	35,686,800	–
Guarantees issued	–	2,055,639	–	2,342,807
Guarantees received	2,055,639	–	2,342,807	–

*(Thousands of Tenge)***20. Related party transactions (continued)****Transactions with non government-related entities including the shareholder transactions (continued)**

	<i>For the six-month period ended 30 June</i>			
	<i>2017 (unaudited)</i>		<i>2016 (unaudited)</i>	
	<i>Shareholder</i>	<i>Companies common control</i>	<i>Shareholder</i>	<i>Companies common control</i>
Interest income on finance lease receivables	–	21,018	–	28,808
Allowance for impairment of finance lease receivables	–	(8,124)	–	(5,991)
Interest expenses on loans received	(2,594,499)	–	(3,267,821)	–
Interest costs on debt securities issued	(1,487,950)	–	(1,487,950)	–
Other expense	–	(469)	–	(2,626)

Interest rates on finance lease receivables amounted from 6.0% to 13.4% per annum with term from 5 to 10 years.

Compensation of key management personnel, consisting of 5 members (six-month period ended 30 June 2016: 5 persons) comprised the following:

	<i>For the six-month period ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
Salaries and other short-term benefits	27,995	26,907
Social security contributions	2,778	2,671
Total key management personnel compensation	30,773	29,578

21. Events after the end of the interim period

On 21 August 2017, the Company paid a portion of dividends declared in 2016 and not paid as at 30 June 2017 in the amount of KZT 807,157 thousand to the Shareholder.