

**Agrarian Credit Corporation
Joint Stock Company**

Interim condensed financial statements

*For the six-month period ended 30 June 2017
with report on review of interim financial information*



CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED FINANCIAL STATEMENTS

Interim condensed statement of financial position	1
Interim condensed statement of income	2
Interim condensed statement of comprehensive income.....	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5-6

SEPARATE NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. Principal activities	7
2. Basis of preparation.....	7
3. Significant accounting judgments and estimates	8
4. Cash and cash equivalents.....	8
5. Amounts due from credit institutions.....	8
6. Loans to customers	9
7. Held-to-maturity investment securities.....	9
8. Investment property.....	10
9. Property and equipment.....	10
10. Intangible assets	11
11. Other assets	11
12. Amounts due to the Shareholder.....	12
13. Amounts due to the Government of the Republic of Kazakhstan	12
14. Amounts due to state and budget organizations.....	13
15. Debt securities issued.....	14
16. Other liabilities	14
17. Equity.....	14
18. Corporate income tax	16
19. Personnel and other operating expenses	16
20. Commitments and contingencies.....	16
21. Fair value of financial instruments	17
22. Related party transactions	20
23. Capital adequacy	20
24. Events after the end of the interim period.....	21



«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on review of interim financial Information

To the Shareholder and Management of
Joint Stock Company "Agrarian Credit Corporation"

Introduction

We have reviewed the accompanying interim condensed financial statements of Agrarian Credit Corporation JSC (the "Corporation"), which comprise the interim condensed statement of financial position as at 30 June 2017 and the related interim condensed statements of profit or loss, 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 condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the 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



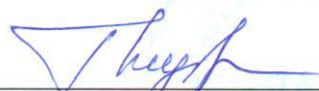
Bakhtiyor Eshonkulov
Auditor / Audit partner



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

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave, 77/7, Esentai Tower

8 September 2017



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


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION


as at 30 June 2017

(thousands of Tenge)

	Notes	At 30 June 2017 (unaudited)	At 31 December 2016
Assets			
Cash and cash equivalents	4	36,136,340	30,072,378
Amounts due from credit institutions	5	44,213,256	26,053,315
Loans to customers	6	186,883,883	135,725,198
Assets held for sale		413,346	–
Held-to-maturity investment securities	7	20,970,247	23,306,474
Investment property	8	343,163	348,631
Property and equipment	9	195,447	208,369
Intangible assets	10	236,819	193,681
Current corporate income tax prepaid		–	205,713
Deferred corporate income tax assets	18	753,579	1,459,287
Other assets	11	635,438	795,526
Total assets		290,781,518	218,368,572
Liabilities			
Amounts due to the Shareholder	12	13,371,099	13,361,704
Amounts due to the Government of the Republic of Kazakhstan	13	60,002,100	–
Amounts due to state and budget organizations	14	7,722,233	2,192,352
Debt securities issued	15	51,703,352	51,648,620
Short-term accrued liabilities		261,103	171,045
Current income tax liabilities		276,504	–
Other liabilities	16	711,216	622,563
Total liabilities		134,047,607	67,996,284
Equity			
Share capital	17	158,630,371	158,630,371
Additional paid-in capital	17	10,245,969	6,831,528
Reserve funds	17	2,546,627	1,086,111
Reserve for notional distribution	17	(16,449,271)	(15,008,072)
Retained earnings / (accumulated deficit)		1,760,215	(1,167,650)
Total equity		156,733,911	150,372,288
Total liabilities and equity		290,781,518	218,368,572
Book value per common share (in Tenge)	17	986.55	946.72

Signed and authorized for release on behalf of the Management Board of the Corporation

Sarybayev N.K.  Chairperson of the Management Board

Zaitullayeva I.N.  Chief Accountant

8 September 2017

The accompanying separate notes on pages 7 to 21 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)

	Notes	For the six-month period ended 30 June	
		2017 (unaudited)	2016 (unaudited)
Interest income			
Loans to customers		7,792,597	6,401,525
Cash and cash equivalents		2,431,611	960,124
Amounts due from credit institutions		1,785,455	546,790
Held-to-maturity investment securities		1,534,134	–
		<u>13,543,797</u>	<u>7,908,439</u>
Interest expenses			
Amounts due to the Shareholder		(464,293)	(947,542)
Debt securities issued		(2,182,073)	(1,391,913)
Amounts due to state and budget organizations		(192,528)	(98)
Amounts due to the Government of the Republic of Kazakhstan		(2,100)	–
		<u>(2,840,994)</u>	<u>(2,339,553)</u>
Net interest income		<u>10,702,803</u>	<u>5,568,886</u>
Allowance for impairment of interest-bearing assets	5, 6	(2,184,143)	(2,184,691)
Net interest income, net of allowance for impairment of interest-bearing assets		<u>8,518,660</u>	<u>3,384,195</u>
Net loss from foreign currency transactions		(411)	(115)
Other income		137,826	134,543
Other expenses		(26,223)	(26,704)
Non-interest income		<u>111,192</u>	<u>107,724</u>
Personnel expenses	19	(1,028,243)	(905,851)
Other operating expenses	19	(615,722)	(645,454)
Non-interest expenses		<u>(1,643,965)</u>	<u>(1,551,305)</u>
Profit before corporate income tax expenses		<u>6,985,887</u>	<u>1,940,614</u>
Corporate income tax expenses	18	(1,136,990)	(941,198)
Profit for the reporting period		<u>5,848,897</u>	<u>999,416</u>
Basic and diluted earnings per common share (in Tenge)		<u>36.87</u>	<u>10.49</u>

Signed and authorized for release on behalf of the Management Board of the Corporation



Sarybayev N.K.

Chairperson of the Management Board

Zaitullayeva I.N.

Chief Accountant

8 September 2017

The accompanying separate notes on pages 7 to 21 are an integral part of these interim condensed financial statements.

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>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit for the reporting period	5,848,897	999,416
Other comprehensive income for the reporting period	–	–
Total comprehensive income for the reporting period	5,848,897	999,416

Signed and authorized for release on behalf of the Management Board of the Corporation

Sarybayev N.K.



Chairperson of the Management Board

Zaitullayeva I.N.

Chief Accountant

8 September 2017

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017

(thousands of Tenge)

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Reserve funds</i>	<i>Reserve for notional distribution</i>	<i>Accumula- ted deficit</i>	<i>Total equity</i>
At 1 January 2016	94,227,371	5,291,347	1,086,111	(8,594,957)	(3,546,018)	88,463,854
Total comprehensive income for the period (unaudited)	-	-	-	-	999,416	999,416
Gain on initial recognition of loans from the Shareholder at fair value, net of tax (unaudited) <i>(Note 17)</i>	-	(17)	-	-	-	(17)
Reserve for notional distribution net of tax (unaudited) <i>(Note 17)</i>	-	-	-	(1,448,760)	-	(1,448,760)
Share issue (unaudited)	15,365,000	-	-	-	-	15,365,000
Dividends declared (unaudited) <i>(Note 17)</i>	-	-	-	-	(542,664)	(542,664)
At 30 June 2016 (unaudited)	109,592,371	5,291,330	1,086,111	(10,043,717)	(3,089,266)	102,836,829
At 1 January 2017	158,630,371	6,831,528	1,086,111	(15,008,072)	(1,167,650)	150,372,288
Total comprehensive income for the period (unaudited)	-	-	-	-	5,848,897	5,848,897
Gain on initial recognition of loans from the Shareholder at fair value, net of tax (unaudited) <i>(Note 17)</i>	-	3,414,441	-	-	-	3,414,441
Reserve for notional distribution net of tax (unaudited) <i>(Note 17)</i>	-	-	-	(1,441,199)	-	(1,441,199)
Increase in reserve fund (unaudited) <i>(Note 17)</i>	-	-	1,460,516	-	(1,460,516)	-
Dividends declared (unaudited) <i>(Note 17)</i>	-	-	-	-	(1,460,516)	(1,460,516)
At 30 June 2017 (unaudited)	158,630,371	10,245,969	2,546,627	(16,449,271)	1,760,215	156,733,911

Signed and authorized for release on behalf of the Management Board of the Corporation



Sarybayev N.K.

Chairperson of the Management Board

Zaitullayeva I.N.

Chief Accountant

8 September 2017

The accompanying separate notes on pages 7 to 21 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

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>
Cash flows from operating activities	Notes	(unaudited)
Interest received		5,713,227
Interest paid		(1,302,477)
Realized gain on derivative financial instruments		79,862
Realized loss on operations with foreign currencies		(115)
Personnel expenses paid		(879,617)
Other operating expenses paid		(541,671)
Cash flows from operating activities before changes in operating assets and liabilities		3,069,209
<i>Net (increase)/decrease in operating assets</i>		
Loans to customers		(51,321,733)
Amounts due from credit institutions		(4,996,309)
Other assets		58,124
<i>Net decrease in operating liabilities</i>		
Other liabilities		(98,766)
Net cash flows used in operating activities before corporate income tax		(53,289,475)
Corporate income tax paid		(189,529)
Net cash flows used in operating activities		(53,479,004)
Cash flows from investing activities		
Proceeds from maturity of held-to-maturity investment securities		295,077,907
Acquisition of held-to-maturity investment securities		(292,791,402)
Purchase of property and equipment	9	(8,988)
Purchase of intangible assets	10	(8,163)
Net cash flows from / (used in) investing activities		(17,151)

The accompanying separate notes on pages 7 to 21 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

	Notes	For the six-month period ended 30 June	
		2017 (unaudited)	2016 (unaudited)
Cash flows from financing activities			
Proceeds from increase in share capital	17	–	15,365,000
Proceeds from borrowings from the Government of the Republic of Kazakhstan	13	60,000,000	–
Proceeds from borrowings from the Shareholder		–	41,112,269
Repayment of borrowings from the Shareholder		(888,542)	(13,992,315)
Proceeds from debt securities issued		–	22,826,050
Proceeds from borrowings from state and budget organizations		9,740,174	–
Repayment of borrowings from state and budget organizations		(134,767)	–
Dividends paid to the Shareholder	17	(730,258)	–
Net cash flows received from financing activities		67,986,607	65,311,004
Net increase in cash and cash equivalents		6,063,962	11,814,849
Cash and cash equivalents, beginning of the reporting period		30,072,378	7,414,124
Cash and cash equivalents, end of the reporting period	4	36,136,340	19,228,973
Non-cash transactions			
Transfer of intangible assets from other assets	10	45,000	–

Signed and authorized for release on behalf of the Management Board of the Corporation

Sarybayev N.K.



Chairperson of the Management Board

Zaitullayeva I.N.

Chief Accountant

8 September 2017

(thousands of Tenge)

1. Principal activities

Agrarian Credit Corporation JSC (hereinafter – the “Corporation”) was established by the Resolution of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 *On Issues of Credit Financing of Agricultural Sector* in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Corporation performs its activities on the basis of a license to conduct operations provided for by banking legislation of the Republic of Kazakhstan No. 5.2.24 dated 5 November 2013, issued by the Committee on Regulation and Supervision of the Financial Market and Financial Organizations under the National Bank of the Republic of Kazakhstan. The Corporation activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter – the “NBRK”).

The principal activities of the Corporation include implementation of government programs to support the agricultural sector, attraction of domestic and foreign investments for implementation of their own projects in the agricultural sector, development and implementation of projects in the agricultural sector, sale of collateral and agricultural products received in repayment of financing provided, banking borrowing operations on the basis of a license, leasing activities, and other activities not prohibited by the legislative acts and meeting goals and objectives of the Corporation stipulated by the Charter.

The financing activities of the Corporation provide for specific requirements and limitations on the use of funds. Interest rate for loans provided to customers is below market rate due to implementation of the state agriculture development programs 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”) owns 100% shares of the Corporation. The ultimate controlling party of the Corporation is the Government of the Republic of Kazakhstan.

As at 30 June 2017 and 31 December 2016, the Corporation has 13 registered branches throughout the Republic of Kazakhstan.

The address of the Corporation’s registered office is: Republic of Kazakhstan, Astana, Imanov Str., 11.

2. Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard (hereinafter – “IAS”) 34 *Interim Financial Reporting*.

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 Corporation’s annual financial statements as at 31 December 2016.

Changes in accounting policy

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Corporation’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 Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Corporation is not required to provide additional disclosures in its condensed interim financial statements, but will disclose additional information in its annual financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized 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. Entities applying this relief must disclose that fact.

The Corporation applied the amendments retrospectively, however, their application has no effect on the Corporation’s financial position and performance.

*(thousands of Tenge)***2. Basis of preparation (continued)****Changes in accounting policy (continued)****Annual improvements cycle – 2014-2016***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, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Corporation has adopted the amendments retrospectively. The amendments have no effect on the Corporation's financial statements.

3. Significant accounting judgments and estimates

Judgements made by the Corporation's management in the process of applying accounting policies are in conformity with judgements described in the annual 2016 financial statements of the Corporation. The management did not apply new estimates and professional judgements. As a result of application of estimates and professional judgements disclosed in the Corporation's financial statements for the year ended 31 December 2016, assets, income or expenses of the Corporation for the six months ended 30 June 2017, did not undergo any significant adjustments.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Cash on current bank accounts	36,136,211	30,072,352
Cash on hand	129	26
Cash and cash equivalents	36,136,340	30,072,378

Concentration of cash and cash equivalents

As at 30 June 2017, cash placed on current accounts included funds in the amount of KZT 14,242,393 thousand or 39% of the total cash and cash equivalents placed with Bank CenterCredit JSC (31 December 2016: KZT 9,674,581 thousand or 32% of the total amount of cash and cash equivalents placed with Tsesnabank JSC).

5. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Loans issued to the second-tier banks	46,084,660	26,053,315
Less: allowance for impairment	(1,871,404)	–
Amounts due from credit institutions	44,213,256	26,053,315

As at 30 June 2017, amounts due from credit institutions include loans in Tenge issued to Bank of Astana JSC, Halyk Bank Kazakhstan JSC, Qazaq Banki JSC, Eurasian Bank JSC, Tsesnabank JSC, Bank RBK JSC, ATF Bank JSC, Tengri Bank JSC and Nurbank JSC for lending to agro-industrial enterprises with maturity of up to 2023 and interest rates of 1.0% to 12.5% per annum. As at 31 December 2016, amounts due from credit organizations comprise loans issued to Bank of Astana JSC, Bank RBK JSC, Halyk Bank Kazakhstan JSC, Qazaq Banki JSC, Eurasian Bank JSC and Tsesnabank JSC for lending to agro-industrial enterprises with interest rates of 8.0% to 12.5% per annum and maturity of up to 2023.

Allowance for impairment of amounts due from credit institutions

Movement in allowance for impairment of amounts due from credit institutions were as follows:

	<i>For the six-month period ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
At 1 January	–	(64,323)
(Charge)/decrease for the period	(1,871,404)	64,323
At June 30	(1,871,404)	–

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

Loans to customers comprise loans to borrowers operating in the agricultural sector and include the following:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Loans to legal entities	167,074,005	119,156,959
Loans to individuals	45,033,002	41,650,122
	<u>212,107,007</u>	<u>160,807,081</u>
Less: allowance for impairment	<u>(25,223,124)</u>	<u>(25,081,883)</u>
Loans to customers	<u>186,883,883</u>	<u>135,725,198</u>

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 ended 30 June</i>	
	<i>2017 (unaudited)</i>	<i>2016 (unaudited)</i>
At 1 January	<u>(25,081,883)</u>	<u>(19,712,568)</u>
Charge for the period	(312,739)	(2,249,014)
Write-off	171,498	159,319
At June 30	<u>(25,223,124)</u>	<u>(21,802,263)</u>
Individual impairment	<u>(23,267,447)</u>	<u>(17,245,822)</u>
Collective impairment	<u>(1,955,677)</u>	<u>(4,556,441)</u>
	<u>(25,223,124)</u>	<u>(21,802,263)</u>

Collateral and other credit enhancements

The amount and type of collateral required by the Corporation depends on an assessment of the credit risk of the counterparty, Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending – collateral of real estate properties, inventory and receivables, guarantees and securities;
- For retail lending, charges over residential properties and other assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

Concentration of loans issued to customers

As at 30 June 2017, the Corporation had a concentration of loans represented by KZT 34,696,224 thousand due from 10 (ten) largest borrowers or 16% of gross loan portfolio (31 December 2016: KZT 26,120,148 thousand or 16% of gross loan portfolio).

7. Held-to-maturity investment securities

As at 30 June 2017 and 31 December 2016, held-to-maturity investment securities comprise the NBRK discount notes with carrying amount of KZT 20,970,247 thousand and KZT 23,306,474 thousand, respectively, with maturity in 2017.

*(thousands of Tenge)***8. Investment property**

Movement in investment property was as follows:

	<i>Buildings</i>
Cost	
At 31 December 2015	426,300
Additions (unaudited)	–
At 30 June 2016 (unaudited)	426,300
At 31 December 2016	426,300
Additions (unaudited)	–
At 30 June 2017 (unaudited)	426,300
Accumulated depreciation	
At 31 December 2015	(66,727)
Depreciation charge (unaudited)	(5,471)
At 30 June 2016 (unaudited)	(72,198)
At 31 December 2016	(77,669)
Depreciation charge (unaudited)	(5,468)
At 30 June 2017 (unaudited)	(83,137)
Carrying amount	
At 31 December 2016	348,631
At 30 June 2017 (unaudited)	343,163

9. Property and equipment

Movement in property and equipment was as follows:

	<i>Land</i>	<i>Computers and office equipment</i>	<i>Vehicles</i>	<i>Other</i>	<i>Total</i>
Cost					
At 31 December 2015	5,397	256,437	56,548	93,467	411,849
Additions (unaudited)	–	3,017	–	5,971	8,988
Disposals (unaudited)	–	(4,304)	–	(872)	(5,176)
At 30 June 2016 (unaudited)	5,397	255,150	56,548	98,566	415,661
At 31 December 2016	5,397	260,292	56,548	100,611	422,848
Additions (unaudited)	–	18,417	–	2,247	20,664
Disposals (unaudited)	–	(30)	–	(47)	(77)
Reclassifications (unaudited)	–	6,807	–	(6,807)	–
At 30 June 2017 (unaudited)	5,397	285,486	56,548	96,004	443,435
Accumulated depreciation					
At 31 December 2015	–	(99,467)	(21,325)	(46,299)	(167,091)
Depreciation charge (unaudited)	–	(20,232)	(2,827)	(4,698)	(27,757)
Disposals (unaudited)	–	4,261	–	704	4,965
At 30 June 2016 (unaudited)	–	(115,438)	(24,152)	(50,293)	(189,883)
At 31 December 2016	–	(133,119)	(26,980)	(54,380)	(214,479)
Depreciation charge (unaudited)	–	(21,738)	(8,425)	(3,401)	(33,564)
Disposals (unaudited)	–	20	–	35	55
At 30 June 2017 (unaudited)	–	(154,837)	(35,405)	(57,746)	(247,988)
Carrying amount					
At 31 December 2016	5,397	127,173	29,568	46,231	208,369
At 30 June 2017 (unaudited)	5,397	130,649	21,143	38,258	195,447

*(thousands of Tenge)***10. Intangible assets**

Movement in intangible assets was as follows:

	<i>Computer software and licenses</i>
Cost	
At 31 December 2015	473,078
Additions (unaudited)	8,163
Disposals (unaudited)	–
At 30 June 2016 (unaudited)	<u>481,241</u>
At 31 December 2016	535,653
Additions (unaudited)	74,600
At 30 June 2017 (unaudited)	<u>610,253</u>
Accumulated amortization	
At 31 December 2015	(297,831)
Amortization charge (unaudited)	(26,199)
Disposals (unaudited)	–
At 30 June 2016 (unaudited)	<u>(324,030)</u>
At 31 December 2016	(341,972)
Amortization charge (unaudited)	(31,462)
At 30 June 2017 (unaudited)	<u>(373,434)</u>
Carrying amount	
At 31 December 2016	<u>193,681</u>
At 30 June 2017 (unaudited)	<u>236,819</u>

For the six months ended 30 June 2017, additions include an intangible asset in the amount of KZT 45,000 thousand which was transferred on 2 May 2017 from other assets due to putting it into operation.

11. Other assets

Other assets comprise the following:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Accounts receivable	545,243	365,959
Deferred expenses	78,597	63,890
Repossessed collateral	–	332,094
Other assets	38,812	60,834
Total other assets before allowance for impairment	<u>662,652</u>	<u>822,777</u>
Less: allowance for impairment	(27,214)	(27,251)
Other assets	<u>635,438</u>	<u>795,526</u>

As at 31 December 2016, repossessed collateral comprise real estate claimed by the Corporation from borrowers who failed to meet the obligations to repay loans to the Corporation. During the six months ended 30 June 2017, the Corporation sold the repossessed collateral with carrying amount of KZT 206,561 thousand (during the six months ended 30 June 2016: KZT 299,560 thousand).

*(thousands of Tenge)***12. Amounts due to the Shareholder**

Amounts due to the Shareholder comprise:

	<i>Maturity</i>	<i>Nominal interest rate, %</i>	<i>Currency</i>	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Investment loan under agreement No. 36	30 December 2023	1.02%	Tenge	7,979,412	8,493,793
Loan under agreement No. 148	10 December 2019	9.00%	Tenge	4,124,450	4,324,784
Loan under agreement No. 124	1 January 2023	3.00%	Tenge	348,903	399,868
Loan under agreement No. 148	10 December 2019	1.00%	Tenge	188,076	143,259
Dividends payable <i>(Note 17)</i>			Tenge	730,258	–
Amounts due to the Shareholder				13,371,099	13,361,704

Investment loan under agreement No. 36

As at 30 June 2017 and 31 December 2016, amounts due to the Shareholder include the amount due under the framework loan agreement No. 36 dated 18 May 2009. In accordance with this Agreement, the Corporation obtains an investment loan to develop, expand and modify production in agricultural sector. Effective interest rates for tranches obtained under this agreement are 4.5-6.19% per annum. During the six months ended 30 June 2017, the Corporation repaid the outstanding amount under the framework loan agreement No. 36 in the amount of KZT 671,077 thousand (for the six months ended 30 June 2016: KZT 700,046 thousand).

Loan under agreement No. 148

On 10 December 2012, the Corporation entered into a framework loan agreement No. 148 with the Shareholder. The initial amount of the loan under the agreement was equal to KZT 2,000,000 thousand. The lending purpose is to meet liquidity needs sufficient to cover obligations; support agricultural enterprises; purchase, repair and upgrade property, plant and equipment and other purposes in accordance with the legislation. The tranches obtained by the Corporation as part of this agreement before 1 January 2015 had a nominal interest rate of 1.0% per annum.

On 11 February 2015, a supplementary agreement No. 1 to the framework loan agreement No. 148 was signed, under which interest is accrued on all tranches received after 1 January 2015 at the nominal rate of 9.00% per annum. Effective interest rates for tranches obtained under the framework loan agreement No. 148 are 9.63-11.63% per annum.

During the six months ended 30 June 2017, the Corporation repaid the debt in the amount of KZT 165,000 thousand (during the six months ended 30 June 2016: the Corporation repaid the debt in the amount of KZT 13,292,269 thousand and received KZT 4,000,000 thousand).

Loan under agreement No. 124

On 23 December 2015, the Corporation entered into loan agreement No. 124 with the Shareholder. The initial amount of the loan was equal to KZT 591,108 thousand. Effective interest rates for tranches obtained under this agreement are 9.63% per annum. The loan is intended for restructuring/refinancing of loan/lease obligations of borrowers that arose before 1 January 2014 in relation to financing granted for replenishment of working capital, purchase of property and equipment and construction, as well as refinancing of the debts for the above purposes. During the six months ended 30 June 2017, the Corporation repaid the debt in the amount of KZT 52,465 thousand.

As at 30 June 2017 and 31 December 2016, there are no obligations to comply with financial covenants related to amounts due to the Shareholder.

13. Amounts due to the Government of the Republic of Kazakhstan

As at 30 June 2017, amounts due to the Government of the Republic of Kazakhstan comprise a short-term loan in Tenge, provided by the Ministry of Finance of the Republic of Kazakhstan in the amount of KZT 60,000,000 thousand in accordance with agreement No. 9 ППЧ 839 dated 22 February 2017 for conducting measures to support subjects of agro-industrial complex through financing of the spring sowing and harvest work with maturity up to 20 December 2017 and interest rate of 0.01% per annum.

*(thousands of Tenge)***14. Amounts due to state and budget organizations**

Amounts due to state and budget organizations comprise the following:

	<i>Agreement</i>	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Productive occupation and mass entrepreneurship development program 2017-2021			
Karaganda oblast akimat	No. 132 dd. 24.04.2017	825,429	–
Southern Kazakhstan oblast akimat	No. 2 dd. 27.04.2017	730,468	–
State Institution “Management of finances of Aktyubinsk oblast”	No. 14 dd. 15.05.2017	528,926	–
Eastern Kazakhstan oblast akimat	No. 29 dd. 26.05.2017	464,171	–
Akmola oblast akimat	No. 1 dd. 24.04.2017	463,658	–
Kostanay oblast akimat	No. 1 ПЗМП-А/17 dd. 24.04.2017	455,653	–
Zhambyl oblast akimat	No. 1 dd. 28.04.2017	449,549	–
State Institution “Management of finances of Kyzylorda oblast”	No. АКК-КФ-1 dd. 25.04.2017	405,613	–
State Institution “Management of finances of Northern Kazakhstan oblast”	No. 221 dd. 25.04.2017	380,039	–
State Institution “Management of finances of Western Kazakhstan oblast”	No. 1 dd. 02.05.2017	339,237	–
Pavlodar oblast akimat	No. 18 dd. 16.05.2017	156,418	–
State Institution “Management of finances of Atyrau oblast”	No. 40 dd. 27.04.2017	131,754	–
Mangystau oblast akimat	No. 2 dd. 27.04.2017	106,678	–
Employment Roadmap 2020			
State Institution “Management of entrepreneurship and industrial-innovative development and tourism of Southern Kazakhstan oblast”	No. 93 dd. 18.08.2016	2,018,093	1,896,729
Almaty oblast akimat / State Institution “Management of entrepreneurship and industrial-innovative development”	No. 06-АКЗ/2016- АКК dd. 15.08.2016	266,547	295,623
Amounts due to state and budget organizations		7,722,233	2,192,352

Productive occupation and mass entrepreneurship development program 2017-2021

For the six months ended 30 June 2017, the Corporation concluded thirteen loan agreements with local executive bodies within the realization of Productive occupation and mass entrepreneurship development program 2017-2021 approved by the Decree of the Government of the Republic of Kazakhstan No. 919 dated 29 December 2016. Total funds received under these agreements comprised KZT 9,740,174 thousand with maturities in April-May 2024 and nominal rates of 0.01% per annum. Market interest rates on loans at the recognition dates were 8.9% per annum. Loans are intended for the purposes of funding microfinance organizations and credit cooperatives for financing business-projects within the Program.

Employment Roadmap 2020

In August 2016, the Corporation concluded two loan agreements with State Institution “Management of entrepreneurship and industrial-innovative development and tourism of Southern Kazakhstan oblast” and Almaty oblast akimat within the Employment Roadmap 2020 approved by the Decree of the Government of the Republic of Kazakhstan No. 42 dated 5 February 2015. Funds received under these agreements comprised KZT 3,390,000 thousand and KZT 500,000 thousand, respectively, with maturities in March-September 2021 and nominal rates of 0.01% per annum. Market interest rates on loans at the recognition dates were 13.3% per annum. Loans are intended for the purposes of providing sustainable and balanced growth of regional entrepreneurship in rural areas for 2016-2017, as well as supporting acting and creation of new permanent work places within the Employment Roadmap 2020.

*(thousands of Tenge)***15. Debt securities issued**

Debt securities issued comprise:

	<i>Maturity</i>	<i>Interest rate per annum, %</i>	<i>Currency</i>	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Fixed income bonds (1st issue of the 3rd programme)	30 December 2021	8.5%	Tenge	23,827,312	23,818,987
Fixed income bonds (2nd issue of the 2nd programme)	17 December 2022	8.0%	Tenge	17,785,565	17,753,589
Fixed income bonds (1st issue of the 2nd programme)	20 February 2023	8.5%	Tenge	10,090,475	10,076,044
Debt securities issued				51,703,352	51,648,620

16. Other liabilities

Other liabilities comprise:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Subsidizing of interest rates by the Ministry of Agriculture of the Republic of Kazakhstan as part of the program to support agriculture	561,722	353,077
Accounts payable	72,584	101,236
Salary and taxes payable	51,594	85,153
Pension and social deductions payable	17,223	28,492
Other	8,093	54,605
Other liabilities	711,216	622,563

As at 30 June 2017 and 31 December 2016, other liabilities of the Corporation include amounts received from the Ministry of Agriculture of the Republic of Kazakhstan to reimburse the subsidized portion of interest on loans issued to customers for the purchase of farm animals under the budget program 056 "Subsidizing interest rates on loans, and leasing of technological equipment and agricultural machinery".

17. Equity

Below is information on movement of declared, issued and fully paid common shares:

	<i>Number of shares (quantity)</i>	<i>Number of issued shares</i>	<i>Price of placement</i>
At 31 December 2015	94,227,371	94,227,371	94,227,371
Increase in share capital (unaudited)	23,150,000	15,365,000	15,365,000
At 30 June 2016 (unaudited)	117,377,371	109,592,371	109,592,371
At 31 December 2016	158,630,371	–	158,630,371
Increase in share capital (unaudited)	–	–	–
At 30 June 2017 (unaudited)	158,630,371	–	158,630,371

As at 30 June 2017, authorized and outstanding common shares of Corporation is 158,630,371 shares (at 31 December 2016: 158,630,371 shares.) The price of placement is KZT 1 thousand per common share.

On 5 March 2016, the Corporation's Shareholder approved a decision to issue 23,150,000 ordinary shares, 15,365,000 ordinary shares out of this issue were fully paid by the Shareholder. The issue was registered by the National Bank of the Republic of Kazakhstan on 25 March 2016.

During the six months ended 30 June 2017, in accordance with the decision of the Shareholder dated 26 May 2017, the Corporation declared and distributed dividends in the total amount of KZT 1,460,516 thousand or 9.21 Tenge per common share for the year ended 31 December 2016. As at 30 June 2017, the Corporation paid dividends in the amount of 730,258 thousand.

*(thousands of Tenge)***17. Equity (continued)**

During the six months ended 30 June 2016, in accordance with the decision of the Shareholder dated 27 May 2017, the Corporation declared dividends in the amount of KZT 542,664 thousand or 5.76 Tenge per common share.

In accordance with the Corporation's policy, the reserve capital is created for general risks including future losses and other unforeseen risks and obligations. Reserve capital is subject to distribution on the basis of decision of the Shareholder.

Presented below is movement in additional paid-in capital and reserves for six months ended 30 June 2017:

	<i>Additional paid- in capital</i>	<i>Reserve capital</i>	<i>Reserve for notional distribution</i>
At 31 December 2016	6,831,528	1,086,111	(15,008,072)
Deemed distributed reserve (unaudited)	–	–	(1,801,498)
Tax effect on deemed distribution reserve (unaudited)	–	–	360,299
Income from initial recognition of loans from the Shareholder at fair value (unaudited)	4,268,051	–	–
Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited)	(853,610)	–	–
Increase in reserve capital (unaudited)	–	1,460,516	–
At 30 June 2017 (unaudited)	10,245,969	2,546,627	(16,449,271)

Movement in additional paid-in capital and reserves for six months ended 30 June 2016 provided below:

	<i>Additional paid- in capital</i>	<i>Reserve capital</i>	<i>Reserve for notional distribution</i>
At 31 December 2015	5,291,347	1,086,111	(8,594,957)
Deemed distributed reserve (unaudited)	–	–	(1,810,950)
Tax effect on deemed distribution reserve (unaudited)	–	–	362,190
Income from initial recognition of loans from the Shareholder at fair value (unaudited)	(21)	–	–
Tax effect from initial recognition of loans from the Shareholder at fair value (unaudited)	4	–	–
At 30 June 2016 (unaudited)	5,291,330	1,086,111	(10,043,717)

Book value per one common share

As at 30 June 2017, book value per one common share calculated in accordance with Kazakhstan Stock Exchange methodology was equal to 986.55 Tenge (31 December 2016: 946.72 Tenge).

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Assets	290,781,518	218,368,572
Less: intangible assets	(236,819)	(193,681)
Less: liabilities	(134,047,607)	(67,996,284)
Net assets	156,497,092	150,178,607
Number of common shares as at the calculation date, shares	158,630,371	158,630,371
Book value per share, Tenge	986.55	946.72

*(thousands of Tenge)***18. Corporate income tax**

Corporate income tax expenses comprise the following:

	<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 expenses	(924,593)	(864,080)
Deferred corporate income tax charge – origination and reversal of temporary differences	(705,708)	285,076
Net of deferred tax recognized in equity (<i>Note 17</i>)	493,311	(362,194)
Corporate income tax expenses	(1,136,990)	(941,198)

As at 30 June 2017, deferred corporate income tax assets comprised KZT 753,579 thousand (31 December 2016: KZT 1,459,287 thousand).

19. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	<i>For the six-month period ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Personnel expenses and other benefits	(943,263)	(827,558)
Social security costs	(84,980)	(78,293)
Personnel expenses	(1,028,243)	(905,851)
Rent and maintenance of premises	(178,221)	(169,589)
Legal and advisory services	(169,916)	(151,496)
Depreciation and amortization	(70,494)	(59,427)
Business trip and expenses	(28,537)	(27,118)
State duty	(26,352)	(7,070)
Maintenance of property and equipment	(19,557)	(17,828)
Marketing and advertising	(18,127)	(37,564)
Materials, including fuel and lubricants	(16,749)	(18,504)
Insurance expenses	(12,995)	(15,174)
Communications	(11,779)	(12,376)
Expenses associated with the appraisal of collateral	(9,234)	(13,598)
Training of personnel	(5,349)	(5,092)
Charity and sponsorship	(5,091)	(14,698)
Bank services	(4,685)	(3,602)
Other	(38,636)	(92,318)
Other operating expenses	(615,722)	(645,454)

20. Commitments and contingencies**Political and economic environment**

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

The Kazakhstani economy has been negatively impacted by a decline in oil prices and the volatility of the Tenge's exchange rate against major foreign currencies. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Corporation's future financial position, results of operations and business prospects.

Management of the Corporation believes it is taking appropriate measures to support the sustainability of the Corporation's business in the current circumstances.

*(thousands of Tenge)***20. Commitments and contingencies (continued)****Legal issues**

In the ordinary course of business, the Corporation 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 condition or the results of future operations of the Corporation.

Management does not have information on any significant actual or incomplete legal issues, as well as potential lawsuits, which could be claimed against the Corporation.

Taxation

Being relatively new, tax system of the Republic of Kazakhstan is characterized by often contradictory frequent changes of legislation norms, official clarifications and court decisions, which allows for ambiguous interpretation of various tax authorities. Several regulatory authorities, which conduct review and inspections in relation to correctness of tax calculations, have a right to levy large penalties and charge fines. Correctness of tax calculations in a reporting period may be reviewed during the following five calendar years. Nevertheless, under certain circumstances, taxation year may stay open for more prolonged period.

These circumstances create tax risks in the Republic of Kazakhstan, which significantly exceed analogous risks in other countries. Management believes that tax obligations have been fully reflected in these interim condensed financial statements proceeding from the management's interpretation of effective tax legislation of the Republic of Kazakhstan, official commentaries of normative documents and decisions of judicial authorities. However, taking into account the fact that interpretations of tax legislation by various regulatory authorities may vary from the management's opinion, an impact on these interim condensed financial statements may be significant in case of enforcement measures from regulatory authorities.

Credit related commitments

As at 30 June 2017 and 31 December 2016, the Corporation's commitments and contingencies comprised the following:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Credit related commitments		
Undrawn loan commitments	40,707,737	57,184,942
Operating lease commitments		
Not later than 1 year	16,238	9,551
Commitments and contingencies	<u>40,723,975</u>	<u>57,194,493</u>

Many of the above credit related contingencies may terminate without being partially or fully funded. As a result, commitments shows in the table above do not necessarily represent future cash outflows. The majority of credit related commitments do not represent unconditional liabilities of the Corporation.

Undrawn credit lines

Agreements on loan commitments provide for the right of the Corporation for unilateral withdrawal from the agreement in the event of occurrence of adverse conditions for the Corporation, as well as in the event of absence of resources for lending.

21. Fair values of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets and liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

*(thousands of Tenge)***21. Fair values of financial instruments (continued)**

The following table shows an analysis of financial instruments whose fair value is disclosed by levels of the fair value hierarchy:

	<i>Date of measurement</i>	<i>Fair value measurement using</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>	
At 30 June 2017 (unaudited)					
Assets whose fair value is disclosed					
Cash and cash equivalents	30 June 2017	36,136,340	–	–	36,136,340
Amounts due from credit institutions	30 June 2017	–	40,469,390	–	40,469,390
Loans to customers	30 June 2017	–	–	184,915,684	184,915,684
Held-to-maturity investment securities	30 June 2017	20,963,999	–	–	20,963,999
Other financial assets	30 June 2017	–	–	532,375	532,375
Financial liabilities whose fair value is disclosed					
Amounts due to the Shareholder	30 June 2017	–	10,252,175	–	10,252,175
Amounts due to the Government	30 June 2017	–	60,002,100	–	60,002,100
Amounts due to state and budget organizations	30 June 2017	–	7,592,217	–	7,592,217
Debt securities issued	30 June 2017	41,555,963	–	–	41,555,963
Other financial liabilities	30 June 2017	–	–	149,494	149,494
At 31 December 2016					
Assets whose fair value is disclosed					
Cash and cash equivalents	31 December 2016	30,072,378	–	–	30,072,378
Amounts due from credit institutions	31 December 2016	–	20,167,315	–	20,167,315
Loans to customers	31 December 2016	–	–	116,381,309	116,381,309
Held-to-maturity investment securities	31 December 2016	23,306,474	–	–	23,306,474
Other financial assets	31 December 2016	–	–	367,458	367,458
Financial liabilities whose fair value is disclosed					
Amounts due to the Shareholder	31 December 2016	–	11,061,781	–	11,061,781
Amounts due to state and budget organizations	31 December 2016	–	2,474,733	–	2,474,733
Debt securities issued	31 December 2016	52,046,590	–	–	52,046,590
Other financial liabilities	31 December 2016	–	–	269,486	269,486

*(thousands of Tenge)***21. Fair values 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 current amounts and fair values of the Corporation's financial instruments recorded in the interim condensed financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>
At 30 June 2017 (unaudited)			
Financial assets			
Cash and cash equivalents	36,136,340	36,136,340	–
Amounts due from credit institutions	44,213,256	40,469,390	(3,743,866)
Loans to customers	186,883,883	184,915,684	(1,968,199)
Held-to-maturity investment securities	20,970,247	20,963,999	(6,248)
Other financial assets	545,243	532,375	(12,868)
Financial liabilities			
Amounts due to the Shareholder	13,371,099	10,252,175	3,118,924
Amounts due to government of Republic of Kazakhstan	60,002,100	60,002,100	–
Amounts due to state and budget organizations	7,722,233	7,592,217	130,016
Debt securities issued	51,703,352	41,555,963	10,147,389
Other financial liabilities	149,494	149,494	–
Total unrecognized change in unrealized fair value			7,665,149
At 31 December 2016			
Financial assets			
Cash and cash equivalents	30,072,378	30,072,378	–
Amounts due from credit institutions	26,053,315	20,167,315	(5,886,000)
Loans to customers	135,725,198	116,381,309	(19,343,889)
Held-to-maturity investment securities	23,306,474	23,306,474	–
Other financial assets	365,959	367,458	1,499
Financial liabilities			
Amounts due to the Shareholder	13,361,704	11,061,781	2,299,923
Amounts due to state and budget organizations	2,192,352	2,474,733	(282,381)
Debt securities issued	51,648,620	52,046,590	(397,970)
Other financial liabilities	269,486	269,486	–
Total unrecognized change in unrealized fair value			(23,608,817)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in these interim condensed 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 their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

In the event of quoted debt instruments, fair value is based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(thousands of Tenge)

22. 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.

Amounts of related party transactions, outstanding balances at the year-end and related expense and income for the six months as follows:

	At 30 June 2017 (unaudited)			At 31 December 2016		
	Shareholder	Entities under common control of Shareholder	Organizations related to the Government	Shareholder	Entities under common control of Shareholder	Organizations related to the Government
Loans obtained	12,640,841	–	67,724,333	13,361,704	–	2,192,352
Dividends payable	730,258	–	–	–	–	–
Debt securities issued	50,885,563	797,173	–	50,830,831	797,174	–

	For the six-month period ended 30 June					
	2017 (unaudited)			2016 (unaudited)		
	Shareholder	Entities under common control of Shareholder	Organizations related to the Government	Shareholder	Entities under common control of Shareholder	Organizations related to the Government
Interest expenses on loans received	(464,293)	–	(194,628)	(947,542)	–	(98)
Interest expenses on debt securities issued	(2,094,700)	–	–	(1,312,071)	–	–

As at 30 June 2017 and 31 December 2016, loans received from the Shareholder have an effective interest rate from 9.6% to 16.3% per annum.

As at 30 June 2017, loans received from the state and budget organizations have an effective interest rate of 8.9% to 13.3% per annum (as at 31 December 2016: 13.3% per annum).

Compensation of key management personnel

Key management personnel for the six months ended 30 June 2017 and 2016 consisted of 5 (five) persons. Compensation of key management personnel comprised of the following:

	For the six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)
Salary and other short-term benefits	30,390	28,018
Social security contributions	3,014	2,848
Total key management personnel compensation	33,404	30,866

23. Capital adequacy

The Corporation maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Corporation's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Corporation.

The primary objective of the Corporation's capital management is to ensure that the Corporation complies with externally imposed capital requirements and that the Corporation maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value. As at 30 June 2017 and 31 December 2016, the Corporation complied with all capital requirements externally established by the Republic of Kazakhstan legislation.

*(thousands of Tenge)***23. Capital adequacy (continued)****Capital adequacy ratio established by the National Bank of the Republic of Kazakhstan**

The NBRK requires entities engaged in certain types of banking activities to maintain a capital adequacy ratio of 1 level (k1) of at least 6% of assets; capital adequacy ratio (k1-2) in the amount of not less than 6% of risk weighted assets and contingent liabilities; and the total capital adequacy ratio (k1-3) in the amount of at least 12% of risk / operational weighted assets and contingent and possible liabilities and operational risk.

As at 30 June 2017 and 31 December 2016, the capital adequacy ratio of the Corporation calculated in accordance with the requirements of the NBRK were as follows:

	<i>At 30 June 2017 (unaudited)</i>	<i>At 31 December 2016</i>
Tier 1 capital	150,717,955	147,334,428
Tier 2 capital	5,848,897	2,921,032
Total capital	156,566,852	150,255,460
Risk weighted assets	268,547,067	192,931,226
Commitments and contingencies	20,353,869	28,592,471
Operational risk	6,413,201	6,413,201
Capital adequacy ratio k1	51.8%	67.5%
Capital adequacy ratio (k1-2)	52.2%	66.5%
Capital adequacy ratio (k1-3)	53.0%	65.9%

24. Events after the end of the interim period

On 4 August 2017, the Corporation placed 2nd issue bonds of the third bond program with the total nominal value of KZT 5,000,000 thousand. The bonds were placed by the Corporation at the Kazakhstan Stock Exchange and were primarily acquired by the Shareholder (100.0%).

On 22 August 2017, the Corporation repaid to the Shareholder a part of dividends declared in the amount of KZT 730,258 thousand payable as at 30 June 2017.