Қазақстанның
даму банкі

www.kdb.kz

«Қазақстанның Даму Банкі» АҚ
Қазақстан Республикасы, Z05M7Y0, Астана қ.
Есіл ауданы, Мәңгілік Ел даңғылы, 55 А
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АО «Банк Развития Казахстана»
Республика Казахстан, Z05M7Y0
г. Астана, пр. Мәңгілік Ел, 55 А
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10.05.2018 г. № 19/2176

АО «Казахстанская фондовая биржа»

ЗАЯВКА

Настоящим АКЦИОНЕРНОЕ ОБЩЕСТВО "БАНК РАЗВИТИЯ КАЗАХСТАНА" (БИН 010540001007, КАЗАХСТАН, Z05M9Y2, Астана г.а., Есильский р. а., проспект Мәңгілік Ел, д.10, тел: +7(7172)792688, факс: +7(7172)792638, e-mail: info@kdb.kz, веб-сайт: www.kdb.kz) направляет текст информационного сообщения на русском, казахском языке(ах), для размещения/опубликования его на интернет-ресурсе фондовой биржи, представляющего собой средство массовой информации согласно определению, данному в подпункте 4) пункта 2 Правил размещения на интернет-ресурсах депозитария финансовой отчетности, фондовой биржи информации о корпоративных событиях, финансовой отчетности и аудиторских отчетов, списков аффилиированных лиц акционерных обществ, а также информации о суммарном размере вознаграждения членов исполнительного органа по итогам года, утвержденных постановлением Правления Национального Банка Республики Казахстан от 28 января 2016 года № 26.

№	№ п.п.		Показатель / Көрсеткіш / Indicator	Содержание информации / Ақпарат мазмұны / Information content
1	2		3	4
2.	**Информация о выпуске акционерным обществом акций и других ценных бумаг**			
	Акционерлік қоғамның акциялар мен бағалы қағаздарды шығаруы жөнінде ақпарат			
	1	1	наименование органа, осуществившего регистрацию выпуска ценных бумаг	Ценные бумаги были включены в официальный список Financial Conduct Authority (Управление по финансовому регулированию)
			бағалы қағаздар шығарылымын тіркеуді жүзеге асырған органның атауы	Бағалы қағаздар Financial Conduct Authority ресми тізіміне енгізілген (Қаржылық реттеу басқармасы)
		2	дата регистрации выпуска ценных бумаг	04.05.2018
			бағалы қағаздар шығарылымын тіркеу күні	
	2	1	вид объявленных к выпуску ценных бумаг	Облигации
			шығаруға жарияланған бағалы қағаздардың түрі	Облигациялар
		1.1	Выпуск облигаций в рамках облигационной программы	Да
			Облигациялық бағдарламаның шеңберінде облигациялар шығарылымы	Иә
		2	Полное наименование объявленных к выпуску ценных бумаг (купонные облигации, простые акции и т.д.)	Купонные облигации восьмого выпуска на сумму 100 000 000 000 тенге в пределах Программы по выпуску среднесрочных ценных бумаг на сумму 3 000 000 000 долларов США

096319

			Шығарылған бағалы қағаздарды жариялаудың толық атаулары (купондық облигациялар, қарапайым акция және т.б.)	3 000 000 000 АҚШ доллары мөлшеріндегі орта мерзімді бағалы қағаздарды шығару Бағдарламасы аясында 100 000 000 000 теңге сомасына сегізінші шығарылымның купондық облигациялары	
		3	количество объявленных к выпуску ценных бумаг, шт.	2 000	
			шығаруға жарияланған бағалы қағаздардың саны, дана		
		4	идентификационный код (национальный идентификационный номер и (или) международный идентификационный код (ISIN) в случае если ценные бумаги были выпущены в соответствии с законодательством иностранного государства), присвоенный ценным бумагам	XS1814831563	
			бағалы қағаздарға берілген (ұлттық сәйкестендіру нөмірі және (немесе) бағалы қағаздар шет мемлекеттің заңнамасына сәйкес шығарылған жағдайда халықаралық сәйкестендіру коды (ISIN)) сәйкестендіру коды		
	3	1	валюта выпуска облигаций	KZT - Тенге	
			облигацияларды шығару валютасы	KZT	
		2	номинальная стоимость облигаций, в валюте выпуска	50 000 000,00	
			облигациялардың номиналды құны, шығарылым валютасында		
		3	срок обращения облигаций, месяцы	60	
			облигацияларды айналымға енгізу күні, айы		
		4.1	номер облигационной программы	без номера	
			облигациялық бағдарламаның нөмірі		
	5	1	Было ли получено акционерным обществом разрешения Национального Банка Республики Казахстан (далее - уполномоченный орган) на выпуск и (или) размещение эмиссионных ценных бумаг на территории иностранного государства?	Да	
			Акционерлік қоғам Қазақстан Республикасының Ұлттық Банкінен (әрі қарай - уәкілетті орган) эмиссиялық бағалы қағаздарды шетелдік мемлекет аумағында шығару және (немесе) орналастыру жөнінде рұқсат алынды ма?	Иә	
		2	дата разрешения уполномоченного органа	13.04.2018	
			атқарушы органның рұқсат берген күні		
		3	номер разрешения уполномоченного органа	без номера	
			уәкілетті орган берген рұқсат нөмірі		
		4	*Основные параметры выпуска*		
			Шығарылымның негізгі параметрлері		
		5	вид ценной бумаги	Облигации	
			бағалы қағаз түрі	Облигациялар	
		6	международный идентификационный код (ISIN)	XS1814831563	
			халықаралық сәйкестендіру коды (ISIN)		
		7	валюта выпуска	KZT - Тенге	
			шығару валютасы	KZT	
		8	форма выпуска	Бездокументарная	
			шығару нысаны	Құжатсыз	

		9	общий объем выпуска, шт	2 000	
			шығарылымның жалпы көлемі, дана		
		10	номинальная стоимость, в валюте выпуска	50 000 000,00	
			номиналды құны, шығару валютасында		
		11	срок обращения, месяцы	60	
			айналымға еңгізу мерзімі, айы		
		12	срок размещения, месяцы	1	
			орналастыру мерзімі, айы		
		13	сведения о вознаграждении по эмиссионной ценной бумаге, размер	8,95%	
			эмиссиялық бағалы қағаздар бойынша сыйақы туралы мәліметтер, көлемі	8,95%	
		14	сведения о вознаграждении по эмиссионной ценной бумаге, периодичность выплаты	2 раза в год	
			эмиссиялық бағалы қағаздар бойынша сыйақы туралы мәліметтер, кезеңділігі	жылына 2 рет	
		15	порядок погашения	единовременное погашение в конце срока обращения	
			өтеу тәртібі	айналым кезеңінің соңында бір жолғы өтеу	
		16	предполагаемый срок погашения	04.05.2023	
			болжалды өтеу мерзімі		

Председатель Правления ________________ **Жамишев Болат Бидахметович**

Исп. Айдарбекова Нурбала

Тел. +7(7172)792652

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the Drawdown Prospectus following this page (the "**Drawdown Prospectus**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Drawdown Prospectus. In accessing the Drawdown Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING DRAWDOWN PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED BY THE RECIPIENT TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your Representation: In order to be eligible to view the Drawdown Prospectus or make an investment decision with respect to the securities, investors must be (i)"qualified institutional buyers" ("**QIBs**") (as defined in Rule 144A under the Securities Act) that are also "qualified purchasers" ("**QPs**") as defined in Section 2(A)(51) of the U.S. Investment Company Act of 1940, as amended, or (ii) non-U.S. persons (as defined in Regulation S under the Securities Act) located outside the United States who are transacting in an "offshore transaction" (in accordance with Regulation S) who are not acting for the account or benefit of U.S. persons. By accepting the email and accessing the Drawdown Prospectus, you shall be deemed to have represented to us that: (i) you are a QIB that is also a QP acquiring the securities referred to herein for your own account and/or for another QIB that is also a QP or (ii) you are outside the United States and not a U.S. person and/or not acting for the account or benefit of a U.S. person.

You are reminded that the Drawdown Prospectus has been delivered to you on the basis that you are a person into whose possession the Drawdown Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Drawdown Prospectus to any other person.

Under no circumstances shall the Drawdown Prospectus constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale, would be unlawful. The Drawdown Prospectus may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer or any member of its Group (as defined in the Base Prospectus (as defined herein)) may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "relevant persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

The Notes (as defined in the Drawdown Prospectus) are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) № 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of JSC Development Bank of Kazakhstan in such jurisdiction.

This Drawdown Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners (as defined in the Drawdown Prospectus) nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Drawdown Prospectus distributed to you in electronic format and the hard copy version available to you on request from any such Joint Bookrunner.

JSC Development Bank of Kazakhstan

(*a joint stock company organised in the Republic of Kazakhstan*)

DRAWDOWN PROSPECTUS

prepared in connection with the KZT 100,000,000,000 8.95% Notes due 2023

issued as Series 8 under the U.S.$3,000,000,000 Medium Term Note Programme

This Drawdown Prospectus (the "**Drawdown Prospectus**"), which must be read and construed as one document in conjunction with the base prospectus dated 29 November 2017, as supplemented by a base prospectus supplement dated 4 April 2018 (together, the "**Base Prospectus**") (see "*Documents Incorporated by Reference*"), in connection with the issue of the KZT 100,000,000,000 8.95% Notes due 2023 (the "**Series 8 Notes**" or the "**Notes**") by JSC Development Bank of Kazakhstan (the "**Issuer**" or "**DBK**") under its U.S.$3,000,000,000 Medium Term Note Programme (the "**Programme**"). Capitalised terms not otherwise defined herein have the same meanings as in the Base Prospectus.

The issue price of the Notes is 98.82% of their aggregate nominal amount, payable in U.S. Dollars based on an exchange rate for the conversion of Tenge into U.S. Dollars of KZT 326.28 = U.S.$1.00, which is the Tenge / U.S. Dollar daily official (market) foreign exchange rate as at 26 April 2018, as reported by the National Bank of Kazakhstan (the "**NBK**") and published on its website. The Notes will bear interest from (and including) 4 May 2018 (the "**Interest Commencement Date**") to (and excluding) 4 May 2023 (the "**Maturity Date**") at the fixed rate of 8.95% *per annum* payable semi-annually in arrear on 4 May and 4 November in each year. As the Notes are denominated in Tenge, while interest, principal and other amounts are payable in U.S. Dollars, the effective yield on an investment in Notes in U.S. Dollar terms will be affected by fluctuations in the exchange rate between the Tenge and the U.S. Dollar. Accordingly, the effective interest rate paid on a U.S. Dollar-denominated investment in the Notes may not equal the nominal interest rate stated herein, which is to be applied to the outstanding balance of the principal amount of the Notes stated in Tenge, and the total yield, stated in percentage terms, on an investment in the Notes may not be the same when calculated in U.S. Dollars when calculated in Tenge.

All amounts of interest, principal and other amounts in respect of the Notes will be calculated by Citibank N.A., London Branch or any successor thereof in its capacity as calculation agent (the "**Calculation Agent**") for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date (each, as defined in "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*" below).

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" IN THE BASE PROSPECTUS AND HEREIN FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Notes may be offered and sold (i) within the United States to persons who are qualified institutional buyers (each, a "**QIB**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") and are also qualified purchasers (each, a "**QP**") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (the "**Investment Company Act**"), as amended, in reliance on the exemption from registration provided by Rule 144A (such Notes so offered and sold, the "**Rule 144A Notes**") and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S (such Notes so offered and sold, the "**Regulation S Notes**"). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*" in the Base Prospectus.

The Notes will be issued in denominations of KZT 50,000,000 and integral multiples of KZT 250,000 in excess thereof. The Regulation S Notes will be represented on issue by a global note (the "**Regulation S Global Note**") in registered form without interest coupons attached. The Rule 144A Notes will be represented on issue by a global note (the "**Rule 144A Global Note**", and, together with the Regulation S Global Note, the "**Global Notes**" and each, a "**Global Note**") in registered form without interest coupons attached. Each Global Note will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in each Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. See "*Amendments to the Summary of the Provisions Relating to the Notes in Global Form*". Definitive Notes in registered form will only be available in certain limited circumstances described therein.

This Drawdown Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). It has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes the Prospectus Directive and relevant implementing measures in the United Kingdom. Application has been made to the FCA in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000, as amended, for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market, which is a regulated market for the purposes of Directive 2004/39/EC.

The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the "Bonds" category of the "Debt securities" sector of the "Main" platform of the Kazakhstan Stock Exchange (the "**KASE**") from (and including) the date of issue of the Notes. In addition, no Notes may be issued, placed or listed outside of the Republic of Kazakhstan without the prior permissions of the NBK (the "**NBK Permissions**"). The NBK Permissions with respect to the Notes have been duly obtained by the Issuer. Simultaneously with the offering of the Notes outside of the Republic of Kazakhstan, the Notes must be offered through the KASE on the same terms on which the Notes are being offered in a foreign state. Subject to sufficient demand, investors' orders submitted through the KASE must be satisfied in the volume of not less than 20% of the total volume of the Notes to be placed. If the total volume of investors' orders submitted through the KASE is less than 20% of the total volume of the Notes to be placed, such orders will be satisfied in full, and any and all Notes remaining after the satisfaction of the investors' orders submitted through the KASE may be offered and placed outside of Kazakhstan. In connection with the listing of the Notes on the KASE and the offer and sale of Notes in Kazakhstan, JSC Kazkommerts Securities will act as sole Bookrunner, and the other Bookrunners will not be involved in such process.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The long-term foreign currency debt of the Issuer has been rated BB+ (stable outlook) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), BBB- (stable outlook) by Fitch Ratings Limited ("**Fitch**") and Baa3 (stable outlook) by Moody's Investors Service Limited ("**Moody's**"). The Notes are expected to be rated BBB- by Fitch and Baa3 by Moody's. Each of S&P, Fitch and Moody's is established in the European Economic Area and is registered under Regulation (EU) № 1060/2009, as amended (the "**CRA Regulation**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Bookrunners

Kazkommerts Securities **MUFG** **Société Générale Corporate & Investment Banking** **VTB Capital**

The date of this Drawdown Prospectus is 2 May 2018.

IMPORTANT INFORMATION ABOUT THIS DRAWDOWN PROSPECTUS

This Drawdown Prospectus, when read and construed in conjunction with the Base Prospectus incorporated by reference herein, comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive. See "*Documents Incorporated by Reference*".

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Drawdown Prospectus or the Base Prospectus incorporated herein by reference or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by DBK, the Trustee or any Joint Bookrunner or any of their respective affiliates.

None of the Joint Bookrunners or the Trustee has independently confirmed the completeness and accuracy of the information contained herein. Accordingly, no representation or warranty is made or implied by the Joint Bookrunners or the Trustee, or any of their respective affiliates, and none of the Joint Bookrunners or the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in, and each of them disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of, this Drawdown Prospectus or the Base Prospectus incorporated herein by reference. Neither the delivery of this Drawdown Prospectus or the Base Prospectus incorporated herein by reference nor the offering, sale or delivery of Notes shall, in any circumstances, create any implication that the information contained in this Drawdown Prospectus is true subsequent to the date of the Drawdown Prospectus or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Drawdown Prospectus or the Base Prospectus incorporated herein by reference and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Drawdown Prospectus or the Base Prospectus incorporated herein by reference comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Drawdown Prospectus or the Base Prospectus incorporated herein by reference and other offering material relating to the Notes. See "*Transfer Restrictions*" and "*Subscription and Sale*" in the Base Prospectus.

None of this Drawdown Prospectus, the Base Prospectus incorporated herein by reference or any other information supplied in connection with the Notes constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Joint Bookrunners or the Trustee or any of their respective affiliates that any recipient of this Drawdown Prospectus or the Base Prospectus incorporated herein by reference should subscribe for or purchase any Notes. Each recipient of this this Drawdown Prospectus or the Base Prospectus incorporated herein by reference shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer. The contents of this Drawdown Prospectus or the Base Prospectus incorporated herein by reference are not to be construed as, and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

The language of this Drawdown Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In connection with the listing of the Notes on the KASE, the Issuer will furnish the KASE with a Russian translation of this Drawdown Prospectus (the "**Translation**"). The Translation has been prepared by the Issuer solely for the purpose of listing the securities described in this Drawdown Prospectus on the KASE and obtaining the NBK Permissions. None of the Joint Bookrunners nor any of their affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The Drawdown Prospectus in English is the authentic and definitive version for the investment decision making process. In the event of any conflict or discrepancy between the English version of this Drawdown Prospectus and the Translation, or any dispute regarding the interpretation of any statement in the English version or the Translation, the English version shall prevail.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Drawdown Prospectus or the Base Prospectus incorporated by reference herein. Persons into whose possession this Drawdown Prospectus or the Base Prospectus incorporated by reference herein comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained. None of the Issuer, the Joint Bookrunners or the Trustee are responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, the Joint Bookrunners or the Trustee or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws.

Such investors should consult their legal advisers regarding such matters. For a description of further restrictions on offers and sales of the Notes and distribution of this Drawdown Prospectus and the Base Prospectus incorporated by reference herein, see "*Issue Terms of the Notes*" in this Drawdown Prospectus and "*Subscription and Sale*" in the Base Prospectus.

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("**EEA**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF MIFID II; OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE "**IMD**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) № 1286/2014 (AS AMENDED, THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NEITHER THE NOTES NOR ANY BENEFICIAL INTERESTS THEREIN HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS DRAWDOWN PROSPECTUS OR THE BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THIS DRAWDOWN PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

This Drawdown Prospectus may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) in connection with the issue or sale of any securities of the Issuer or any member of its Group (as defined in the Base Prospectus) may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) above being "relevant persons"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Drawdown Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes may have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's home currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes are expected to perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent Notes are lawful investments for it, Notes can be used as collateral for various types of borrowing, and other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

RESPONSIBILITY STATEMENT

DBK accepts responsibility for the information contained in this Drawdown Prospectus. To the best of the knowledge of DBK (which has taken all reasonable care to ensure that such is the case), the information contained in this Drawdown Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Certain information in this Drawdown Prospectus, when read and construed in conjunction with the Base Prospectus in or contained under the headings "*Risk Factors*" and "*The Banking Sector in Kazakhstan*" and certain other macroeconomic data which appear in this Drawdown Prospectus have been extracted from documents and other publications released by the Statistics Committee, the NBK and the FMSC. DBK accepts responsibility for accurately reproducing such extracts, and as far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

ADDITIONAL INFORMATION

DBK is not required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as DBK is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, DBK will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. See "*Terms and Conditions of the Notes—Negative Pledge and Covenants*" in the Base Prospectus. As long as the Rule 144A Notes are represented by a Rule 144A Global Note, for the purposes of this paragraph the expression "holder" shall be deemed to include account holders in the clearing systems who have interests in the relevant Rule 144A Global Note.

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RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should consider carefully, among other things, the risks set forth below and under "Risk Factors" in the Base Prospectus, and the other information contained in this Drawdown Prospectus and the Base Prospectus, prior to making any investment decision with respect to the Notes. Attention is drawn particularly to the information under the heading "Risk Factors" on pages 4 to 20 (inclusive) of the Base Prospectus which must be read in conjunction with the additional risk factors set out below. The risks highlighted below and under "Risk Factors" in the Base Prospectus, individually or together, could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, which, in turn, could have a material adverse effect on its ability to service payment obligations under the Notes. In addition, the value of the Notes could decline if any of these risks materialise, and the Noteholders may lose some or all of their investment. Prospective investors should note that the risks described below and under "Risk Factors" in the Base Prospectus, are not the only risks the Issuer may face. The Issuer has described only the risks it considers to be material and of which it is aware. There may be additional risks that the Issuer currently does not consider material or of which it is currently unaware, and any of these risks could have the effect set forth above.

Risk factors relating to DBK

Loan Portfolio Growth *(supplementing the information set out under the caption "Risk Factors—Risk factors relating to DBK—Loan Portfolio Growth" beginning on page 5 of the Base Prospectus)*

For the year ended 31 December 2017, DBK recognised KZT 35,036.2 million in impairment losses, as compared to KZT 25,985.4 million in the year ended 31 December 2016 and KZT 17,403.0 million in the year ended 31 December 2015. Due to the significance of loans to customers as a portion of DBK's assets and the related estimation uncertainty, impairment of loans was identified as a key audit matter in the 2017 Annual Financial Statements. As at 31 December 2017, DBK had exposures to three banks experiencing financial difficulties in an aggregate amount of KZT 26.5 billion in relation to which DBK recognised an impairment allowance of KZT 23.3 billion. See "*Selected Statistical and Other Data—Loans to Banks—Loans to Kazinvestbank and Delta Bank*", "*Asset and Liability Management—Credit Risk*" and Notes 15 and 16 to the 2017 Financial Statements.

Loan Portfolio Concentration *(supplementing the information set out under the caption "Risk Factors—Risk factors relating to DBK—Loan Portfolio Concentration" beginning on page 5 of the Base Prospectus)*

As at 31 December 2017, the largest proportion of DBK's loans to customers was granted in the manufacturing and carbon and petrochemical manufacturing, accounting for 37.3% and 36.8%, respectively, of total gross loans granted to customers. In addition, as a result of the scale of investment projects funded by DBK, DBK's loan portfolio is, from time-to-time, characterised by a concentration of borrowers. As at 31 December 2017, DBK had ten borrowers (including bonds recorded as part of loans to customers) whose balances exceeded 10% of DBK's equity and outstanding loans to the top ten groups of borrowers comprised 67.2% of DBK's total net loans to customers.

Concentration of Funding Sources *(supplementing the information set out under the caption "Risk Factors—Risk factors relating to DBK—Concentration of Funding Sources" beginning on page 8 of the Base Prospectus)*

As at 31 December 2017, 2016 and 2015, funding from banks and other financial institutions, as a percentage of DBK's total liabilities, represented 40.7%, 44.2% and 51.8%, respectively. In addition, a significant portion of DBK's funding is derived from debt securities issued. As at 31 December 2017, 2016 and 2015, funding from debt securities issued, as a percentage of DBK's total liabilities, represented 37.1%, 35.0% and 32.4%, respectively.

Impact of IFRS 9 *(modifying and supplementing certain information set out under the caption "Risk Factors—Risk factors relating to DBK—Impact of IFRS 9" beginning on page 8 of the Base Prospectus)*

IFRS 9 became effective on 1 January 2018. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of DBK's consolidated equity at 1 January 2018 will not exceed 11% of equity. Such assessment is, however, preliminary as not all transition work has been finalised. The actual impact of DBK's adoption of IFRS 9 on 1 January 2018 may change as a result of: (i) DBK's refinement and finalisation of its models for DBK's expected credit loss ("**ECL**") calculations; and (ii) the new accounting policies, assumptions, judgements and estimation techniques employed, which are subject to change until DBK finalises its first financial statements that include the date of initial application. The most significant impact on DBK's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model. DBK has estimated that, on the adoption of IFRS 9, the impact of the increase in impairment allowance will not exceed 10.5%.

Risks Factors Relating to Kazakhstan

Location of DBK's Assets and Operations *(supplementing the information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Location of DBK's Assets and Operations" beginning on page 11 of the Base Prospectus)*

The Law "On Republican Budget for 2018-2020" № 113-VI (the "**2018-2020 Budget**") was adopted on 30 November 2017. The 2018-2020 Budget allocates funds for the implementation of key Government projects and economic reform programmes. The 2018-2020 Budget has set oil price projections at U.S.$45 per barrel for 2018-2020.

Exchange Rate Policies *(supplementing the information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Exchange Rate Policies" beginning on page 13 of the Base Prospectus)*

As at 31 December 2017, the official KZT/U.S.$ market exchange rate reported by the NBK was KZT 332.33 per U.S.$1.00, as compared to KZT 333.29 per U.S.$1.00 as at 31 December 2016 and KZT 340.01 per U.S.$1.00 as at 31 December 2015.

Inflation *(supplementing the information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Inflation" beginning on page 13 of the Base Prospectus)*

According to the NBK, annual consumer price inflation for the year ended 31 December 2017 was 7.1%, as compared to 8.5% and 13.6% for the years ended 31 December 2016 and 2015, respectively. On 30 January 2018, the Chairman of the NBK confirmed the NBK's intention to continue to pursue its free-floating exchange rate and medium-term inflation targeting policy. There can be no assurance, however, that the rate of inflation will be reduced, or that inflation will be maintained at the current rate. The IMF forecasts inflation to be 6.5% in 2018.

Sanctions imposed on Russia *(modifying and supplementing certain information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Sanctions imposed on Russia" beginning on page 13 of the Base Prospectus)*

A new code on customs regulation in the Republic of Kazakhstan (the "**Customs Code**") was adopted on 26 December 2017. The Customs Code is based on, and reflects the provisions of, the EEU Customs Code, which came into force on 1 January 2018. The Government has announced that it expects that the Customs Code will increase transit and export potential and will facilitate the conduct of foreign economic activity. As a result of Kazakhstan's membership of the EEU, Kazakhstan's economic relations with Russia are expected to strengthen going forward. Russia is Kazakhstan's third largest export partner (after Italy and China) and, in 2017, based on actual trade flows, Kazakhstan's imports from Russia accounted for 39.1% of Kazakhstan's total imports, and its exports to Russia accounted for approximately 9.5% of its total exports. Key exports to Russia include oil, chemicals and minerals.

In April 2018, the United States imposed additional sanctions on certain state-owned companies, several Russian individuals and 12 companies under such individuals' control.

Kazakhstan's Currency Control Law (*modifying and supplementing certain information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Kazakhstan's Currency Control Law" beginning on page 14 of the Base Prospectus*)

Further, the NBK has prepared a draft of a new Law On Currency Regulation and Currency Control (the "**Draft New Currency Law**") that is intended to supersede the current Law of Kazakhstan "On Currency Regulation and Currency Control". The Draft New Currency Law, while retaining the Government's power to impose restrictions under the special currency regime, also seeks to tighten the NBK's control over the conversion of Tenge into a foreign currency and transferring cash out of Kazakhstan. In order for Kazakhstan to remain in compliance with its membership obligations under the Charter of the International Monetary Fund, the new currency regime cannot restrict residents from repaying foreign currency-denominated obligations. Given that the new currency regime is not yet in final form, at present it is unclear how the Draft New Currency Law (when implemented) would ultimately impact DBK. However, any significant complication of DBK's foreign currency dealings could have a material adverse effect on DBK's business, prospects, financial condition or results of operations and ability to make payments on its foreign currency obligations, including the Notes.

Corruption and Business Environment Weaknesses in Kazakhstan *(modifying and supplementing the information set out under the caption "Risk Factors—Risk Factors Relating to Kazakhstan—Corruption and Business Environment Weaknesses in Kazakhstan" beginning on page 16 of the Base Prospectus)*

Kazakhstan was ranked 122 out of 180 countries in Transparency International's 2017 Corruption Perceptions Index. Kazakhstan's score in the 2017 index was 31 (with 1 the most corrupt score and 100 being the least corrupt). Kazakhstan's business climate and competitive indicators are also negatively affected by the need for reform in investor protection arrangements, the cost of establishing a business, the tax system, resolving insolvency and contract enforcement. In the World Bank's Doing Business Survey 2018, Kazakhstan ranked 36 out of 190 countries for ease of doing business, while Kazakhstan ranked 57th out of 137 countries in the World Economic Forum 2017-2018 Global Competitiveness Index.

In January 2017, the National Anti-Corruption Bureau of Kazakhstan arrested the former head of Baiterek JSC, Mr. Kuandyk Bishimbayev, on corruption charges in connection with alleged bribes and kickbacks from construction companies and other parties in a number of Baiterek JSC projects. These projects include an engineering, procurement and turnkey construction project for a float glass manufacturing and processing plant in Kyzylorda (the "**Kyzylorda Project**"). The Kyzylorda Project was partially financed by DBK on the basis of an approval of DBK's Board of Directors of which Mr. Bishimbayev, as a representative of Baiterek JSC, was chairman at the time. Following an investigation, a trial in respect of the allegations against Mr. Bishimbayev commenced on 31 October 2017. On 14 March 2018, Mr. Bishimbayev was convicted of bribery and embezzlement and was sentenced to ten years in prison. Mr. Bishimbayev has the right to appeal this sentence.

The Legislative, Regulatory and Tax Regime and Judicial System *(to be inserted as a new heading under the caption "Risk Factors—Risk Factors Relating to Kazakhstan" beginning on page 9 of the Base Prospectus)*

In addition, on 25 December 2017, Kazakhstan enacted a new Tax Code, which became effective on 1 January 2018 (the "**2018 Tax Code**"). The 2018 Tax Code introduces a number of new concepts to the general principles of taxation. As the 2018 Tax Code has not been tested in practice, there can be no assurance that it will not have a material adverse effect on DBK's business, prospects, financial condition, cash flows or results of operations.

Risk Factors Relating to the Notes *(to be inserted as new headings under the caption "Risk Factors—Risk Factors Relating to the Notes" beginning on page 16 of the Base Prospectus)*

Depreciation of the Tenge against the U.S. Dollar

As principal, interest and other amounts payable on the Notes are payable in U.S. Dollars, while the Notes are denominated in Tenge, the risk of a depreciation of the Tenge against the U.S. Dollar is one of the most significant risks that prospective purchasers of Notes are assuming. If the Tenge depreciates against the U.S. Dollar, the effective yield on the Notes (in U.S. Dollar terms) may decrease below the interest rate on the Notes, and the amount payable on an interest payment date, at maturity or upon acceleration may be less than an investor's original investment, resulting in a loss to investors. Depreciation of the Tenge against the U.S. Dollar may also adversely affect the market value of the Notes.

Although the Tenge is a fully convertible currency, generally, there is no market outside Kazakhstan for the exchange of amounts denominated in Tenge with amounts denominated in other currencies (such as U.S. Dollars) and the market for doing so in Kazakhstan is of a limited size. The ability of prospective purchasers of Notes to rely on the forward market for foreign exchange of Tenge to hedge their exposure to a devaluation of the Tenge relative to the U.S. Dollar may also be limited.

All amounts due in respect of the Notes, including principal, interest and other amounts (if any), shall be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date. The Average Representative Market Rate shall be determined by the Calculation Agent based on the arithmetic mean of the Representative Market Rates (as defined in "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*" below) for the last five business days on which commercial banks and foreign exchange markets are open in Astana, Kazakhstan immediately before any Rate Calculation Date, whereas a Rate Calculation Date is defined in the Conditions (as defined below) as the third such business day preceding any Interest Payment Date, the Maturity Date or any other date on which principal, interest or any other amount shall become payable pursuant to the Conditions, all as more fully set out in the Conditions. The Representative Market Rate shall be determined based on the Tenge/U.S. Dollar official daily exchange rate for the previous such business day as reported by the NBK and published on its website. In the event that such rate is not available, the Calculation Agent shall poll reference banks set out in "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*" to determine the applicable Representative Market Rate, all as more fully described in "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*".

Absent manifest error, any calculation by the Calculation Agent shall be binding on all Noteholders and the Issuer's payment obligations with respect to the Notes will be fully satisfied by paying amounts notified to it by the Calculation Agent.

As at the Issue Date, the yield on the Notes is 9.25% *per annum*. As the Notes are denominated in Tenge, however, while interest, principal and any other amounts are payable in U.S. Dollars, the total yield, stated in percentage terms when calculated in U.S. Dollars, on an investment in Notes will be affected by fluctuations in the exchange rate between the Tenge and the U.S. Dollar and may not be the same as when calculated in Tenge.

Investors whose financial activities are denominated in a currency or currency unit other than U.S. Dollars may receive less interest or principal than expected, or no interest or principal on the Notes, as a result of fluctuations in exchange rates or changes to exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Issuer's or the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal on the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The Base Prospectus (as supplemented by the base prospectus supplement dated 4 April 2018), which has previously been published and has been filed with the FCA and which is available for viewing during normal business hours at the specified office of the Principal Paying and Transfer Agent, shall be deemed to be incorporated in, and form part of, this Drawdown Prospectus.

The Base Prospectus (as supplemented by the base prospectus supplement dated 4 April 2018) shall be incorporated into and form part of this Drawdown Prospectus in its entirety, save that any statement contained in the Base Prospectus shall be deemed to be deleted, modified or superseded for the purpose of this Drawdown Prospectus to the extent that a statement contained herein deletes, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so deleted, modified or superseded shall not be deemed, except as so deleted, modified or superseded, to constitute a part of this Drawdown Prospectus.

This Drawdown Prospectus must be read in conjunction with the Base Prospectus (as supplemented by the base prospectus supplement dated 4 April 2018) and full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this Drawdown Prospectus and the Base Prospectus.

Terms used herein but not otherwise defined shall have the meanings given to them in the Base Prospectus.

No other documents are incorporated by reference herein. Any information that is incorporated by reference into the Base Prospectus (or the base prospectus supplement dated 4 April 2018) shall not form part of the information incorporated by reference in this Drawdown Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The section headed "Presentation of Financial and Other Information" appearing on pages iv to viii (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

DBK's audited annual consolidated financial statements contained in this Base Prospectus, including the notes thereto, as at and for the year ended 31 December 2017, which include comparative data as at and for the year ended 31 December 2016 (the "**2017 Annual Financial Statements**" and, together with the 2016 Financial Statements, the "**Audited Annual Financial Statements**") were prepared in Tenge and in accordance with IFRS and relevant laws and regulations in Kazakhstan.

The following table sets forth the period-end, average and low and high rates for Tenge, each expressed in Tenge and based on the Tenge/U.S. Dollar market exchange rates quoted on the KASE, as reported by the NBK (after rounding adjustments):

Period	**Period end**	**Average**(1)	**High**	**Low**
		(KZT/U.S.$1.00)		
Year ended 31 December 2015	340.01	222.25	349.12	182.35
Year ended 31 December 2016	333.29	341.76	383.91	327.66
Year ended 31 December 2017	332.33	326.08	345.00	310.40

The Tenge/U.S. Dollar exchange rate as reported by the NBK on 17 April 2018, was KZT 330.02 per U.S.$1.00.

CAPITALISATION

The section headed "Capitalisation" appearing on page 21 of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

The following table sets forth the capitalisation and long-term indebtedness of DBK as at 31 December 2017. This table should be read in conjunction with "Selected Financial Information and Other Data" and "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Financial Statements, and the notes thereto, included elsewhere in this Drawdown Prospectus and the Base Prospectus.

	As at 31 December 2017	
	(U.S.$ millions)(1)(2)	*(KZT millions)*(2)
Total long-term debt(3)		
Current accounts and deposits from customers	59.1	19,655.4
Loans from the Government and Samruk-Kazyna	102.6	34,098.8
Loans from banks and other financial institutions	2,605.4	865,846.6
Loans from Baiterek JSC	273.9	91,036.3
Government grants	545.3	181,232.8
Debt securities issued	2,404.1	798,957.5
Subordinated debt	277.6	92,256.0
Other liabilities	29.7	9,878.1
Deferred tax liabilities	40.2	13,365.5
Derivative financial instruments	—	—
Total long-term debt	**6,338.1**	**2,106,327.1**
Equity:		
Share capital	1,199.6	398,667.5
Reserve capital	—	—
Hedging reserve	—	—
Revaluation reserve for financial assets reclassified from "available-for-sale financial assets" to "loans to customers"	2.8	914.4
Revaluation reserve for available-for-sale financial assets	(9.1)	(3,029.1)
Additional paid-in capital	85.5	28,423.2
Accumulated losses	(50.6)	(16,808.8)
Total equity	**1,228.2**	**408,167.2**
Total capitalisation and long term liabilities	**7,566.3**	**2,514,494.3**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2017, which was KZT 332.33 per U.S.$1.00.

(2) Nominal amount of long-term debt.

(3) Indebtedness is classified as long-term if its remaining maturity is not less than one year as at the reporting date.

In January 2018, DBK voluntarily prepaid U.S.$500 million under the unrestricted portion of the China Ex-im Bank Facility. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and Other Financial Institution—Export-Import Bank of China—China Ex-im Bank Facility*".

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The section headed "Selected Financial Information and Other Data" appearing on pages 22 to 25 (inclusive) of the Base Prospectus shall be deemed to be replaced by the addition of the following information.

The audited selected financial information for DBK presented below as at and for the years ended 31 December 2017, 2016 and 2015 has been derived from, should be read in conjunction with, and is qualified in its entirety by, the Audited Annual Financial Statements, including the notes thereto, included elsewhere in this Drawdown Prospectus and the Base Prospectus.

Prospective investors should read the selected financial information in conjunction with the information contained under the headings "Risk Factors", "Capitalisation", "Management's Discussion and Analysis of Results of Operations and Financial Condition", "Selected Statistical and Other Data", and "Business", as well as the Financial Statements, including the notes thereto, included elsewhere in this Drawdown Prospectus and the Base Prospectus.

Selected Information from the Consolidated Statements of Comprehensive Income and Financial Position

Consolidated Statements of Profit and Loss and Other Comprehensive Income

	For the year ended 31 December			
	2017		2016	2015
	(U.S.$ millions)(1)	*(KZT millions)*		
Interest income	481.2	159,932.0	137,020.0	92,605.4
Interest expense	(338.9)	(112,628.5)	(101,083.5)	(61,492.2)
Net interest income	**142.3**	**47,303.5**	**35,936.5**	**31,113.1**
Fee and commission income	2.2	739.9	516.5	777.7
Fee and commission expense	(2.9)	(972.9)	(305.5)	(506.5)
Net fee and commission income/(expense)	**(0.7)**	**(233.0)**	**211.0**	**271.2**
Net foreign exchange gain/(loss)	(0.8)	(257.7)	4,771.8	(49,969.2)
Net realised gain on available-for-sale financial assets	5.8	1,937.3	2,904.0	1,129.1
Net gain/(loss) on derivative financial instruments	(16.2)	(5,398.5)	(2,827.8)	45,733.5
(Loss)/gain on repurchase of debt securities issued	—	—	(473.2)	0.0
Other (expense)/income, net	9.9	3,299.9	(1,579.3)	10,019.1
Operating income	**140.4**	**46,651.5**	**38,943.1**	**38,296.8**
Impairment losses	(105.4)	(35,036.2)	(25,985.4)	(17,403.0)
General administrative expenses	(17.7)	(5,876.2)	(6,078.1)	(4,885.4)
Profit before taxes	**17.3**	**5,739.1**	**6,879.6**	**16,008.4**
Income tax (expense)	(2.9)	(977.9)	(229.0)	(10,305.3)
Profit for the period	**14.3**	**4,761.2**	**6,650.5**	**5,703.1**
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	45.2	15,036.3	(643.0)	(7,960.9)
Net change in fair value of available-for-sale financial assets transferred to profit and loss	(5.8)	(1,937.3)	(2,993.7)	(1,129.1)
Amortisation of revaluation reserve for available-for-sale financial assets which were reclassified to loans to customers	(6.1)	(2,016.9)	(1,591.3)	(1,863.8)
Net unrealised (loss)/gain on hedging instruments	0.0	6.7	(3,410.2)	3,752.1
Other comprehensive income/(loss) for the year	**33.4**	**11,088.8**	**(8,638.2)**	**(7,201.7)**
Total comprehensive income/(loss) for the year	**47.7**	**15,850.0**	**(1,987.7)**	**(1,498.6)**

Note:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2017, which was KZT 332.33 per U.S.$1.00.

Consolidated Statements of Financial Position

	As at 31 December			
	2017		2016	2015
	(U.S.$ millions)[1]		*(KZT millions)*	
Assets				
Cash and cash equivalents	1,361.9	452,595.8	208,793.8	220,182.1
Placements with banks and other financial institutions	223.3	74,218.3	135,273.2	67,965.0
Loans to banks	204.6	68,000.0	212,912.8	83,963.8
Loans to customers[2]	4,491.5	1,492,658.6	1,391,018.3	1,368,225.6
Finance lease receivables[3]	289.8	96,293.8	44,104.0	31,215.5
Available-for-sale financial assets	499.5	165,997.5	275,656.3	174,394.4
Held-to-maturity investments	16.2	5,381.6	5,013.3	4,671.2
Advances paid under finance leases	228.3	75,855.7	39,989.0	26,497.7
Assets to be transferred under finance lease agreements	7.2	2,404.2	3,149.9	2,888.2
Equipment and intangible assets	1.7	570.5	437.5	314.8
Other assets	216.6	71,968.7	73,325.9	83,641.7
Current tax asset	6.7	2,243.0	1,048.4	5,235.1
Derivative financial instruments	166.6	55,353.5	58,457.5	58,927.0
Total assets	**7,713.8**	**2,563,541.2**	**2,449,179.9**	**2,128,122.0**
Liabilities				
Current accounts and deposits from customers	76.1	25,282.2	109,468.5	41,829.6
Loans from the Government of the Republic of Kazakhstan	115.5	38,399.3	37,552.3	36,746.0
Loans from banks and other financial institutions	2,639.7	877,251.2	918,065.4	917,247.8
Loans from the Parent Company	273.9	91,036.3	35,177.3	—
Government grants	558.0	185,447.8	118,332.1	44,298.9
Debt securities issued	2,404.1	798,957.5	727,566.5	573,550.8
Subordinated debt	277.6	92,256.0	86,831.6	77,548.3
Other liabilities	100.4	33,378.2	22,425.9	52,868.2
Deferred tax liabilities	40.2	13,365.5	14,073.9	19,298.5
Derivative financial instruments	—	—	8,394.7	8,634.0
Total liabilities	**6,485.6**	**2,155,374.0**	**2,077,888.2**	**1,772,022.1**
Equity				
Share capital	1,199.6	398,667.5	373,667.5	353,667.5
Reserve capital	—	—	17,712.3	17,712.3
Hedging reserve		—	(6.7)	3,403.5
Revaluation reserve for financial assets reclassified from "available-for-sale financial assets" to "loans to customers"	2.8	914.4	2,931.3	4,522.6
Revaluation reserve for available-for-sale financial assets	(9.1)	(3,029.1)	(16,128.2)	(12,491.4)
Additional paid-in capital	85.5	28,423.2	28,423.2	28,423.2
Accumulated losses	(50.6)	(16,808.8)	(35,307.9)	(39,137.9)
Total equity	**1,228.2**	**408,167.2**	**371,291.6**	**356,099.9**
Total liabilities and equity	**7,713.8**	**2,563,541.2**	**2,449,179.9**	**2,128,122.0**

Notes:

(1) For convenience, these figures have been translated into U.S. Dollars at the KZT/U.S.$ market exchange rate quoted on the KASE, as reported by the NBK, as at 31 December 2017, which was KZT 332.33 per U.S.$1.00.

(2) Represents net loans to customers. See Note 16 to the 2017 Annual Financial Statements, Note 16 to the 2016 Annual Financial Statements and "*Selected Statistical and Other Data*".

(3) Represents net finance receivables. See Note 17 to the 2017 Annual Financial Statements, Note 17 to the 2016 Annual Financial Statements and "*Selected Statistical and Other Data*".

Selected financial ratios and economic data

The table below sets forth DBK's selected financial ratios and economic data for Kazakhstan as at, and for the years ended, 31 December 2017, 2016 and 2015:

	As at and for the year ended 31 December		
	2017	**2016**	**2015**
	(%, unless otherwise indicated)		
Profitability Ratios[(1)]			
Return on average total equity	1.2	1.8	1.7
Return on average assets[(2)]	0.2	0.3	0.3
Net interest margin[(3)]	2.0	2.1	2.9
Net interest spread[(4)]	1.0	1.9	2.5
Non-interest expense/net interest income plus non-interest income[(5)(6)]	14.4	16.3	13.9
Non-interest expense as a percentage of net interest income[(5)]	14.5	17.8	17.3
Non-interest expense as a percentage of average total assets[(5)]	0.3	0.3	0.3
Loan Portfolio Quality (%)			
Allowance for impairment losses/gross loans to customers and banks[(7)]	4.8	2.7	1.7
Balance Sheet Ratios and Capital Adequacy			
Loans to customers and banks-total assets	60.9	65.5	68.2
Total equity-total assets	15.9	15.2	16.7
Liquid assets-total assets[(8)]	27.0	25.3	21.7
Contingent liabilities-total equity[(9)]	93.6	49.0	61.0
Direct liabilities-total equity[(10)]	4.5	5.1	4.7
Capital adequacy ratio[(11)]	18.19	18.10	16.96
Economic Data[(12)]			
Period-end exchange rate (*KZT/U.S.$*)	332.33	333.29	340.01
Average exchange rate for period (*KZT/U.S.$*)	326.07	341.76	222.25
Inflation growth rate (CPI)[(13)]	7.1	8.5	13.6
GDP growth (real)[(13)]	4.0	1.0	1.0

Notes:

(1) Averages are based upon opening and closing balances. Average equity was calculated using opening and closing balances for each relevant period.

(2) Return on average assets is net profit for the period divided by average period total assets. Average period total assets are calculated based on opening and closing balances for each relevant period.

(3) Net interest margin is net interest income as a percentage of average interest-bearing assets. Interest-bearing assets are comprised of cash and cash equivalents, placements with banks, loans to customers, finance lease receivables, available-for-sale financial assets, held-to-maturity investments and amounts receivable under reverse repurchase agreements. See *"Selected Statistical and Other Data—Average Balance Sheet and Interest Rates"*.

(4) Net interest spread is the difference between the average interest rate on interest-bearing assets and the average interest rate on interest-bearing liabilities, in each case excluding discounts and premiums. Interest-bearing liabilities are comprised of loans and advances from the Government of the Republic of Kazakhstan, loans from the Parent Company, loans from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, subordinated debt and amounts payable under repurchase agreements. See *"Selected Statistical and Other Data—Average Balance Sheet and Interest Rates"*.

(5) Non-interest expense is comprised of fee and commission expense and general administrative expenses.

(6) Non-interest income is comprised of net gain/(loss) on derivative financial instruments, net gain/(loss) on foreign exchange operations, fee and commission income, net gain/(loss) on disposal of available-for-sale financial assets, gain on repurchase of debt securities issued and other income/(expenses), net.

(7) Loan portfolio quality is calculated using gross loan balances.

(8) Liquid assets comprise investments available-for-sale plus cash and cash equivalents, placements with banks and other financial institutions and amounts receivable under reverse repurchase agreements.

(9) Contingent liabilities include commitments on loans and unissued credit lines, letters of credit and other transaction-related contingent obligations, as well as guarantees issued less provision on letters of credit.

(10) Direct liabilities include loans and advances from the Government, loans from banks and other financial institutions, current accounts and deposits from customers, debt securities issued, loans from Samruk-Kazyna, subordinated debt, amounts payable under repurchase agreements and derivative financial instruments.

(11) Calculated as a ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated according to Basel II (International Convergence of Capital Measurement and Capital Standards) Convention ("**Basel II**") principles.

(12) Based on data from the NBK and the NSA.

See "*Presentation of Financial and Other Information—Presentation of Alternative Performance Measures*" in the Base Prospectus.

RECENT DEVELOPMENTS

The following developments have occurred between 31 December 2017, the end of the last financial period for which the 2017 Annual Financial Information Statements have been published, and the date of this Drawdown Prospectus.

On 30 March 2018, the Board of Directors of DBK: (i) approved the increase of the maximum aggregate nominal amount of Notes that may be outstanding under the Programme at any one time (the "**Programme Limit**") from U.S.$2.0 billion to U.S.$3.0 billion; and (ii) authorised the issue of KZT 43.4 billion local bonds. As at the date of this Drawdown Prospectus, no such local bonds have been issued. The base prospectus supplement relating to the increase in the Programme Limit was approved by the UK Listing Authority on 4 April 2018.

In January 2018, DBK voluntarily prepaid U.S.$500 million under the unrestricted portion of the China Ex-im Bank Facility. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Banks and Other Financial Institution—Export-Import Bank of China—China Ex-im Bank Facility*".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The section headed "Management's Discussion and Analysis of Results of Operations and Financial Condition" appearing on pages 26 to 42 (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

Primary Factors affecting DBK's Results of Operations

The Current Economic Environment *(supplementing the information set out under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations—The Current Economic Environment" beginning on page 28 of the Base Prospectus)*

As at 31 December 2017, the official KZT/U.S.$ exchange rate reported by the NBK was KZT 332.33 per U.S.$1.00, as compared to KZT 333.29 per U.S.$1.00 as at 31 December 2016 and KZT 339.47 per U.S.$1.00 as at 31 December 2015.

According to Government statistics, real GDP growth was 1.2% in 2015, 1.1% in 2016 and 4.0% in 2017 (according to preliminary results). According to the NBK, annual consumer price inflation for 2017 was 7.1%

The IMF forecasts real GDP growth to be 2.8% in 2018 and inflation is forecasted by the IMF to be 6.5% in 2018.

Fluctuations in Exchange Rates *(replacing the table set out under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations—Fluctuations in Exchange Rates" beginning on page 30 of the Base Prospectus)*

The following table sets forth the period end, average and low and high KZT/U.S.$ exchange rates quoted on the KASE, as reported by the NBK, (after rounding adjustment) for the periods indicated:

Period	Period end	Average(1)	High	Low
		(KZT/U.S.$1.00)		
Year ended 31 December 2015	340.01	222.25	349.12	182.35
Year ended 31 December 2016	333.29	341.76	383.91	327.66
Year ended 31 December 2017	332.33	326.08	345.00	310.40

Note:

(1) The average of the rate reported by the KASE for each month during the relevant period.

Taxation *(supplementing the information set out under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations—Taxation" beginning on page 31 of the Base Prospectus)*

On 1 January 2018, a new tax code became effective in Kazakhstan, which introduced new concepts to the general principles of taxation, including the clear formulation of the principle of taxpayers' "good faith", which, *inter alia*, provides that ambiguities in tax rulings and laws shall be construed in favour of the taxpayer. Management does not expect the new tax code to have a material impact on the activities of DBK.

IFRS 9 *(to be inserted as a new heading under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations" beginning on page 30 of the Base Prospectus)*

IFRS 9 became effective on 1 January 2018.

In order to assist the transition to IFRS 9, DBK has:

- developed a methodology (which has been approved by the NBK) for the calculation of provisions in accordance with IFRS 9;
- developed models for the estimation of loss given default ("**LGD**") and the exposure at default ("**EAD**");
- updated its methodology of estimating the probability of default ("**PD**") model;

- conducted a preliminary assessment of the impact of the new provisions methodology on DBK's provisions and capital; and

- made amendments and additions to DBK's internal regulatory documents in order to comply with IFRS 9.

Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of DBK's consolidated equity at 1 January 2018 is not expected to exceed 11% of equity. Such assessment is, however, preliminary as not all transition work has been finalised. The actual impact of DBK's adoption of IFRS 9 on 1 January 2018 may change as a result of: (i) DBK's refinement and finalisation of its models for DBK's ECL calculations; and (ii) the new accounting policies, assumptions, judgements and estimation techniques employed, which are subject to change until DBK finalises its first financial statements that include the date of initial application.

The most significant impact on DBK's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model. DBK has estimated that, on the adoption of IFRS 9, the impact of the increase in impairment allowance are not expected to exceed 10.5%. According to calculations in accordance with IAS 39 provisions were KZT 79,323 million as at 31 December 2017. Following the transition to IFRS 9, such provisions are expected to equal KZT 127,887 million as at 1 January 2018, an increase of KZT 48,564 million.

See Note 3 to the 2017 Annual Financial Statements, "*Risk Factors—Risks relating to DBK—Impact of IFRS 9*" and "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Loan Provisioning Policy*".

Results of Operations for the years ended 31 December 2017 and 2016 *(replacing the information set out under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition—Results of Operations for the Six Months ended 30 June 2017 and 2016" beginning on page 32 of the Base Prospectus)*

Net Interest Income

The following table sets forth the principal components of DBK's net interest income for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	**2016**	**2017/2016**
	(KZT millions)		*(%)*
Interest income	159,932.0	137,020.0	16.7
Interest expense	(112,628.5)	(101,083.5)	11.4
Net interest income	**47,303.5**	**35,936.5**	**31.6**

Net interest income increased by KZT 11,367.0 million, or 31.6%, to KZT 47,303.5 million for the year ended 31 December 2017, as compared to KZT 35,936.5 million for the year ended 31 December 2016, primarily due to the increase in interest income in 2017, as compared to 2016, which was only partially offset by an increase in interest expense.

Interest Income

DBK generates interest income from loans to customers, available-for-sale financial assets, placements with banks and other financial institutions, finance lease receivables and amounts receivable under reverse repurchase agreements.

The following table sets forth the principal components of DBK's interest income for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	2016	2017/2016
	(KZT millions)		*(%)*
Loans to customers	98,838.4	90,877.6	8.8
Cash and cash equivalents	13,022.1	7,438.2	75.1
Loans to banks	12,671.0	11,309.7	12.0
Finance lease receivables	12,653.6	7,377.4	71.5
Available-for-sale financial assets	12,002.7	11,832.4	1.4
Placements with banks and other financial institutions	10,364.5	7,831.0	32.4
Held-to-maturity investments	379.7	353.6	7.4
Total interest income	**159,932.0**	**137,020.0**	**16.7**

Total interest income increased by KZT 22,912.0 million, or 16.7%, to KZT 159,932.0 million for the year ended 31 December 2017, as compared to KZT 137,020.0 million for the year ended 31 December 2016. This increase was primarily due to: (i) a KZT 7,960.8 million, or 8.8%, increase in interest income from loans to customers, which was, in turn, primarily due to an increase in DBK's financing in accordance with the objectives set out in its Development Strategy (see "*Selected Statistical and Other Data—Loans to Customers*" and "*Business—Strategy*"); (ii) a KZT 5,583.9 million, or 75.1%, increase in interest income from cash and cash equivalents, which was, in turn, primarily due to repurchase transactions conducted by DBK in 2017 (see Note 13 to the 2017 Financial Statements), as well as an increase in cash and cash equivalents; and (iii) a KZT 5,276.2 million, or 71.5%, increase in interest income from finance lease receivables, which was, in turn, primarily due to an increase in DBK's portfolio of finance lease receivables (see "*Selected Statistical and Other Data—Finance Lease Receivables*"). Increases in all other line items also contributed to the increase in total interest income in 2017, as compared to 2016.

Interest Expense

Interest expense relates to amounts of interest paid by DBK on loans from Samruk-Kazyna, the Government and banks and other institutions, debt securities, subordinated debt and current accounts and customers' deposits.

The following table sets forth the principal components of DBK's interest expense for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	2016	2017/2016
	(KZT millions)		*(%)*
Debt securities issued	(54,845.8)	(44,282.0)	23.9
Loans and balances from banks and other financial institutions	(43,239.5)	(47,373.6)	(8.7)
Loans from the Parent Company	(6,275.3)	(574.0)	993.3
Subordinated debt	(5,810.9)	(5,456.1)	6.5
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	(1,290.2)	(1,250.3)	3.2
Current accounts and deposits from customers	(1,166.8)	(2,147.5)	(45.7)
Total interest expense	**(112,628.5)**	**(101,083.5)**	**11.4**

Total interest expense increased by KZT 11,545.0 million, or 11.4%, to KZT 112,628.5 million for the year ended 31 December 2017, as compared to KZT 101,083.5 million for the year ended 31 December 2016. This increase was primarily due to: (i) a KZT 10,563.8 million, or 23.9%, increase in interest expense on debt securities issued, which was, in turn, primarily a result of the KZT 100 billion 9.50% Notes due 2020 issued by DBK under the Programme in December 2017 (see "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*"); and (ii) a KZT 5,701.3 million, or 993.3%, increase in interest expense on loans from the Parent Company, which was, in turn, due to the entry into of four loans with Baiterek JSC in an aggregate principal amount of KZT 126.1 billion in 2017. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings—Loans from Parent Company*". The increase in total interest expense in 2017 was partially offset by the KZT 4,134.1 million, or 8.7%, decrease in interest expense from loans and balances from banks and other financial institutions, which was, in turn, due to a decrease in balances outstanding.

Net Non-Interest Income

The following table sets forth the principal components of DBK's net non-interest income for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	2016	2017/2016
	(KZT millions)		*(%)*
Net fee and commission (expense)/income	(233.0)	211.0	(210.4)
Net foreign exchange (loss)/gain	(257.7)	4,771.8	(105.4)
Net realised gain on available-for-sale financial assets	1,937.3	2,904.0	(33.3)
Net loss on derivative financial instruments	(5,398.5)	(2,827.8)	90.9
Loss on repurchase of debt securities issued	—	(473.2)	100.0
Other income/(expense), net	3,299.9	(1,579.3)	(309.0)
Net non-interest income	**(652.1)**	**3,006.5**	(121.7)

DBK generally generates its commission income from letters of credit, guarantees and commitment fees. Commission expense relates to amounts paid by DBK on the maintenance of current accounts, securities operations, the provision of custodial services, plastic card and transfer services, amounts relating to cancelled Eurobond issuances and other operations.

For the year ended 31 December 2017, DBK had net fee and commission expense of KZT 233.0 million, as compared to net commission income of KZT 211.0 million for the year ended 31 December 2016. The net commission expense for the year ended 31 December 2017 was primarily due to commission expenses for confirming letters of credit and commissions for the early repayment of loans, which, in turn, were primarily related to the partial prepayment of a fixed interest rate loan with the Export-Import Bank of China in January 2017 and the related prepayment premium in connection therewith, as well as prepayments under other credit facilities, including the voluntary prepayment of U.S.$35 million under the loans with China Development Bank in December 2017. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings*". The net commission income for the year ended 31 December 2016 was primarily due to commissions from letters of credit and commitment fees due to DBK.

DBK generates foreign exchange gains or losses from translation differences and dealings. For the year ended 31 December 2017, DBK had a net foreign exchange loss of KZT 257.7 million, as compared to a gain of KZT 4,771.8 million for the year ended 31 December 2016. The net foreign exchange loss in 2017 was primarily due to the recognition of a KZT 947.0 million loss in translation differences in 2017, as compared to the recognition of a KZT 4,574.6 million gain in translation differences in 2016. The net foreign exchange gain in 2016 was primarily due to the strengthening of the U.S. Dollar/Tenge exchange rate.

DBK also generates non-interest income from net realised gains or losses on its available-for-sale financial assets. For the year ended 31 December 2017, DBK had a net realised gain on available-for-sale assets of KZT 1,937.3 million, as compared to a net realised gain on available-for-sale assets of KZT 2,904.0 million for the year ended 31 December 2016, reflecting a decrease of KZT 966.7 million, or 33.3%. The net realised gain on available-for-sale assets for the year ended 31 December 2017 was primarily due to the sale of certain financial assets available-for-sale. The net realised gain on available-for-sale assets for the year ended 31 December 2016 was primarily due to the sale of certain financial assets held-for-sale.

DBK's net loss or gain on derivative financial instruments is principally comprised of unrealised losses or gains derived from the revaluation of derivative financial instruments, as well as realised losses or gains derived from transactions with derivative financial instruments. For the year ended 31 December 2017, DBK had a net loss on derivative financial instruments of KZT 5,398.5 million, as compared to a net loss on of KZT 2,827.8 million for the year ended 31 December 2016. The net loss on derivative financial instruments for the year ended 31 December 2017 was primarily due to the reflection of the fair value of a foreign currency swap transaction entered into with the NBK. The net loss on derivative financial instruments for the year ended 31 December 2016 was primarily due to the negative revaluation of the swap transaction entered into with the NBK. See "*Selected Statistical and Other Data—Derivatives*".

Loss on repurchase of debt securities issued was nil for the year ended 31 December 2017, as compared to KZT 473.2 million for the year ended 31 December 2016. See "*Selected Statistical and Other Data—Debt Securities*".

Net other expenses and net other income comprises DBK's expenses or income from DBK's non-banking activities. For the year ended 31 December 2017, DBK had net other income of KZT 3,299.9 million, as compared to net other expense of KZT 1,579.3 million for the year ended 31 December 2016, reflecting an increase of KZT 4,879.2 million, or (309.0)%. The net other income in the year ended 31 December 2017, as compared to the net other expense in the year ended 31 December 2016, was primarily due to the recognition of KZT 7,051.9 million in income from the early repayment of certain loans (and the subsequent revision of the relevant repayment schedule) (see "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings*") and proceeds from the sale of DBK's holding of bonds issued by JSC Kazakhtelecom, which are classified as loans, as well as a KZT 4,690.6 million, or 213.4%, increase in other income from utilisation of Government grants, which was, in turn, primarily due to an excess of benefits from Government grants over the expenses incurred by issuing loans at lower than market rates, which is recognised as income following the fulfilment of the respective Government programme conditions. The increase in other income in 2017 was partially offset by a KZT 3,944.3 million, or 1,633.8%, increase in expenses generally in the form of negative adjustment of value of loans to customers, which was, in turn, due to the adjustment of the value of loans to customers, as well as a KZT 2,560.4 million, or 54.4%, increase in expenses from early prepayment of loans from banks and other financial institutions, which was, in turn, due to the partial prepayment of loans in 2017. See "*Selected Statistical and Other Data—Principal Sources of Funding—Borrowings*".

Operating Income

As a result of the foregoing, operating income was KZT 46,651.5 million for the year ended 31 December 2017, as compared to KZT 38,943.1 million for the year ended 31 December 2016, reflecting an increase of KZT 7,708.4 million, or 19.8%.

Impairment losses

Impairment losses are principally comprised of losses on loans to customers.

The following table sets forth the principal components of DBK's impairment losses for the years ended 31 December 2017 and 2016:

	Year ended 31 December		**Percentage change**
	2017	**2016**	**2017/2016**
	(KZT millions)		*(%)*
Loans to customers	(27,310.5)	(16,268.0)	67.9
Loans to banks	(3,489.0)	(4,087.2)	(14.6)
Finance lease receivables	(1,749.0)	(1,761.3)	(0.7)
Placements with banks and other financial institutions	(2,280.0)	(4,398.5)	(48.2)
Assets to be transferred under finance lease agreements	(50.2)	(6.0)	736.7
Other assets	(157.3)	535.8	129.4
Charge for impairment losses	**(35,036.2)**	**(25,985.4)**	**34.8**

For the year ended 31 December 2017, DBK had a charge for impairment losses of KZT 35,036.2 million, as compared to a charge for impairment losses of KZT 25,985.4 million for the year ended 31 December 2016, reflecting an increase of KZT 9,050.8 million, or 34.8%.

The increase in charge for impairment losses in 2017, as compared to 2016, was primarily due to a KZT 11,042.5 million, or 67.9%, increase in charges for impairment losses on loans to customers, which was, in turn, due to an increase in loans to customers, an increase in expected impairment losses following monitoring of investment projects and the revision of projected cash flows, as well as provisioning for new loans.

See Note 10 to the 2017 Financial Statements, "*Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures—Analysis of Loans by Credit Quality*" and "*Selected Statistical and Other Data—Loans to Banks—Loans to Kazinvestbank, Delta Bank and Bank RBK*".

General administrative expenses

General administrative expenses are principally comprised of payroll and related taxes, occupancy charges (rent), taxes other than income taxes, the expenses of providing services to customers (communication and information services) and depreciation and amortisation. Depreciation is in respect of computers and equipment, vehicles, furniture and other equipment.

The following table sets forth the principal components of DBK's general administrative expenses for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	**2016**	**2017/2016**
	(KZT millions)		*(%)*
Payroll and related taxes	3,296.8	3,035.5	8.6
Professional services	768.4	1,386.5	(44.6)
Taxes other than on income	363.1	450.9	(19.5)
Occupancy	398.2	338.2	17.7
Rating services	98.8	108.6	(9.0)
Communication and information services	204.4	207.1	(1.3)
Depreciation and amortisation	148.5	128.9	15.2
Repair and maintenance	76.0	32.7	132.4
Business travel	152.1	102.8	48.0
Advertising and marketing	137.2	83.8	63.7
Training and seminars	70.2	72.3	(2.9)
Insurance	63.6	55.8	14.0
Transportation	13.4	15.6	(14.1)
Consumables	19.7	27.6	(28.6)
Representative expenses	2.6	3.4	(23.5)
Security	2.6	2.9	(10.3)
Other expenses	60.5	25.6	136.3
Total	**5,876.2**	**6,078.1**	**(3.3)**

General administrative expenses decreased by KZT 201.9 million, or 3.3%, to KZT 5,876.2 million for the year ended 31 December 2017, as compared to KZT 6,078.1 million for the year ended 31 December 2016. The decrease in general administrative expenses for the year ended 31 December 2017, as compared to 2016, was primarily due to decreases in the cost of professional services provided to DBK.

Payroll and related taxes generally comprise the largest portion of DBK's total general administrative expenses, representing 56.1% of total general administrative expenses for the year ended 31 December 2017 and 49.9% for the year ended 31 December 2016. Payroll and related taxes increased by KZT 261.3 million, or 8.6%, in 2017 to KZT 3,296.8 million for the year ended 31 December 2017 from KZT 3,035.5 million for the year ended 31 December 2016, primarily due to increased labour costs, which were, in turn, due to additions to DBK's management team.

Professional services expenses decreased by KZT 618.1 million, or 44.6%, to KZT 768.4 million for the year ended 31 December 2017 from KZT 1,386.5 million for the year ended 31 December 2016, primarily due to a general decrease in fees relating to consultancy services provided to DBK.

Profit before income tax

As a result of the foregoing, profit before income tax decreased by KZT 1,140.4 million, or 16.6% to KZT 5,739.1 million for the year ended 31 December 2017 from KZT 6,879.6 million in 2016.

Income tax expense

Income tax expenses increased by KZT 748.9 million, or 327.0%, to KZT 977.9 million for the year ended 31 December 2017, as compared to KZT 229.0 million for the year ended 31 December 2016. The increase in 2017 was primarily due to the KZT 4,393.7 million, or 87.6%, decrease in deferred tax benefit for origination and reversal of temporary differences in 2017, as compared to 2016, which was, in turn, due to movements in temporary differences on impairment losses of loans to customers, as well as in respect of the unamortised portion of borrowing costs.

DBK's applicable tax rate for current and deferred tax was 20% for each of 2017 and 2016.

Profit for the period

As a result of all of the foregoing, for the year ended 31 December 2017, DBK's profit for the year decreased by KZT 1,889.3 million, or 28.4%, to KZT 4,761.2 million from KZT 6,650.5 million for the year ended 31 December 2016.

Other comprehensive income/(loss)

The following table sets forth the principal components of DBK's other comprehensive income for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Percentage change
	2017	**2016**	**2017/2016**
	(KZT millions)		*(%)*
Net change in fair value of available-for-sale financial assets	15,036.3	(643.0)	(2,438.5)
Net change in fair value of available-for-sale financial assets transferred to profit and loss	(1,937.3)	(2,993.7)	(35.3)
Amortisation of revaluation reserve for available-for-sale financial assets, reclassified to loans issued to customers.................................	(2,016.9)	(1,591.3)	26.7
Net unrealised gain on hedging instruments, net of tax..........................	6.7	(3,410.2)	(100.2)
Other comprehensive income/(loss) for the year	**11,088.8**	**(8,638.2)**	**(228.4)**

For the year ended 31 December 2017, DBK's other comprehensive income increased by KZT 19,727.0 million to KZT 11,088.8 million from a loss of KZT 8,638.2 million for the year ended 31 December 2016.

The other comprehensive income in 2017 was primarily due to income from the net change in fair value of available-for-sale financial assets, as compared to a loss for net change in fair value of available-for-sale assets in 2016.

The other comprehensive loss in 2016 was primarily due to loss on net change in fair value of available-for-sale financial assets transferred to profit and loss and net unrealised loss on hedging instruments.

Total comprehensive income

As a result of the foregoing, for the year ended 31 December 2017, DBK's total comprehensive income was KZT 15,850.0 million, as compared to a loss of KZT 1,978.7 million for the year ended 31 December 2016.

SELECTED STATISTICAL AND OTHER DATA

The section headed "Selected Statistical and Other Data" appearing on pages 43 to 75 (inclusive) of the Base Prospectus shall be deemed to be supplemented and modified by the following information.

Average Balance Sheet and Interest Rates *(supplementing the information set out under the caption "Selected Statistical and Other Data—Average Balance Sheet and Interest Rates" beginning on page 43 of the Base Prospectus)*

The following table sets forth the average balances for DBK's interest-earning assets and interest-bearing liabilities, together with weighted average rates and the corresponding amount of interest income (expense) for the periods indicated:

	For the years ended 31 December								
	2017			2016			2015		
	Average balance[1]	Average interest rate[2]	Interest Income/ Expense	Average balance[1]	Average interest rate[2]	Interest Income/ Expense	Average balance[1]	Average interest rate[2]	Interest Income/ Expense
	(KZT millions)	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(KZT millions)*	*(%)*	*(KZT millions)*
Interest-earning assets									
Cash and cash equivalents	330,694.8	3.9	13,022.1	214,488.0	3.5	7,438.2	192,386.4	0.5	979.3
Placements with banks and other financial institutions	104,745.8	9.9	10,364.5	101,619.1	7.7	7,831.0	67,714.2	6.2	4,204.2
Loans to customers	1,441,838.4	6.9	98,838.4	1,379,622.0	6.6	90,877.6	1,060,736.9	6.1	64,198.6
Loans to banks	140,456.4	9.0	12,671.0	148,438.3	7.6	11,309.7	72,951.2	8.8	6,419.0
Finance lease receivables	70,198.9	18.0	12,653.6	37,659.7	19.6	7,377.4	27,504.8	12.5	3,434.9
Available-for-sale financial assets	220,826.9	5.4	12,002.7	225,025.4	5.3	11,832.4	182,580.1	6.3	11,426.6
Held-to-maturity investments	5,197.4	7.3	379.7	4,842.2	7.3	353.6	4,512.3	7.3	329.3
Other assets	—	—	—	—	—	—	58,550.3	2.8	1,613.5
Total interest-earning assets	**2,313,958.6**	**6.9**	**159,932.0**	**2,111,694.7**	**6.5**	**137,020.0**	**1,666,936.2**	**5.6**	**92,605.4**
Interest-bearing liabilities									
Loans and advances from the Government	13,236.5	0.2	26.2	13,236.5	0.2	26.2	18,629.9	0.3	47.7
Loans from SWF "Samruk-Kazyna"	24,739.3	5.1	1264.0	23,912.7	5.1	1,224.1	23,125.7	5.1	1,186.1
Loans from banks	897,658.3	4.8	43,239.5	917,656.6	5.1	46,891.2	703,548.2	4.3	30,447.8
Current accounts and deposits from customers	67,375.3	1.7	1166.8	75,649.0	2.8	2,147.5	32,071.6	3.4	1,103.3
Debt securities issued	763,262.0	7.2	54,845.8	650,558.7	6.8	44,282.0	472,232.4	5.0	23,830.9
Subordinated debt	89,543.8	6.5	5810.9	82,190.0	6.6	5,456.1	40,950.8	0.8	329.3
Loans from the Parent Company	63,106.8	9.9	6275.3	17,588.6	3.3	574.0	14,483.4	26.4	3,827.5
Deposits from banks	—	—	—	—	—	482.4	—	—	719.6
Total interest-bearing liabilities	**1,918,922.1**	**5.9**	**112,628.5**	**1,780,792.1**	**5.7**	**101,083.5**	**1,305,042.0**	**4.7**	**61,492.2**
Net interest income	**—**	**—**	**47,303.5**	**—**	**—**	**35,936.5**	**—**	**—**	**31,113.2**

Notes:

(1) Average balances are calculated as the arithmetic average of the opening and closing balances for the relevant period.

(2) Average interest rates are calculated as the ratio of interest income/expense to the average balance for the relevant period.

The average interest rate on interest-earning assets increased to 6.9% for the year ended 31 December 2017 after having increased to 6.5% for the year ended 31 December 2016 from 5.6% for the year ended 31 December 2015. The increase in the average interest rate on interest-earning assets in 2017, as compared to 2016, was primarily due to the increase in average interest rates on loans to customers, placements with banks and other financial institutions and loans to banks. The increase in the average interest rate on interest-earning assets in 2016, as compared to 2015, was primarily due to an increase in DBK's portfolio of finance lease receivables and an increase in the weighted average interest rate for finance lease receivables of KZT 10,154.9 million and 7.1%, respectively.

The average interest rate on interest-bearing liabilities increased to 5.9% for the year ended 31 December 2017 from 5.7% for the year ended 31 December 2016, after having increased from 4.7% for the year ended 31 December 2015. The increase in the average interest rate on interest-bearing liabilities in 2017, as compared to 2016, was primarily due to increases in the average interest rates of debt securities issued and loans from the Parent Company. The increase in the average interest rate on interest-bearing liabilities in 2016, as compared to 2015, was primarily due to an increase in DBK's portfolio of loans from banks and the weighted average interest rate for loans from banks of KZT 214,108.4 million and 0.8%, respectively.

Cash and cash equivalents increased by KZT 243,802.0 million, or 116.8%, to KZT 452,595.8 million as at 31 December 2017 from KZT 208,793.8 million as at 31 December 2016, primarily due to increases in cash at current bank accounts with NBK. As at 31 December 2016, DBK's cash and cash equivalents decreased by KZT 11,388.3 million, or 5.2%, to KZT 208,793.8 million from KZT 220,182.1 million as at 31 December 2015, primarily due to a decrease in cash at current bank accounts with the NBK. See "*Business—Participation in Government Programmes*".

As at 31 December 2017, DBK had entered into reverse repurchase agreements at the KASE in respect of treasury notes issued by the Ministry of Finance of Kazakhstan. See Note 13 to the 2017 Annual Financial Statements.

Loans to Customers *(supplementing the information set out under the caption "Selected Statistical and Other Data—Loans to customer" beginning on page 45 of the Base Prospectus)*

Net total loans to customers increased by KZT 101,640.3 million, or 7.3%, to KZT 1,492,658.6 million as at 31 December 2017 from KZT 1,391,018.3 million as at 31 December 2016 after having increased, in 2016 by KZT 22,792.7 million, or 1.7%, from KZT 1,368,225.6 million as at 31 December 2015. The increases in DBK's loan portfolio in each of 2017 and 2016 were primarily due to increases in loans to corporate customers. The increase in DBK's loan portfolio in 2015 primarily reflected an increase in loans to corporate customers, as well as the depreciation of the Tenge in August 2015, as 73.4% of loans to customers as at 31 December 2015 were denominated in foreign currency.

Loans to Customers by Type of Borrower

In line with DBK's status as a development bank, large corporate borrowers, which are borrowers with over 250 employees and average assets in excess of U.S.$3 million, seeking funding for large infrastructure and industrial projects have historically comprised the largest component of DBK's loan portfolio, with loans to large corporate borrowers accounting for 95.6% of total gross loans to customers as at 31 December 2017, as compared to 96.3% and 96.6% of total gross loans to customers as at 31 December 2016 and 2015, respectively.

As at 31 December 2017, DBK had ten borrowers whose balances exceeded 10% of DBK's equity, as compared to nine such borrowers as at 31 December 2016 and six such borrowers as at 31 December 2015.

Loans to Customers by Type

The following table sets forth an analysis of DBK's loan portfolio, by currency, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans to corporate customers	1,495,687.6	95.6	1,378,104.6	96.3	1,345,600.5	96.6
Mortgage loans	256.8	0.0	308.5	0.0	368.5	0.0
Interest accrued	68,461.1	4.4	52,759.2	3.7	46,949.0	3.4
Total gross loans to customers	**1,564,405.5**	**100.0**	**1,431,172.3**	**100.0**	**1,392,918.1**	**100.0**
Impairment allowance	(71,746.1)	—	(40,154.0)	—	(24,692.4)	—
Net loans to customers	**1,492,658.6**	—	**1,391,018.3**	—	**1,368,225.6**	—

Loans to corporate customers in the manufacturing and carbon and petrochemical manufacturing sectors accounted for the largest proportion of such lending as at 31 December 2017, accounting for 74% of total loans to corporate customers.

Loans to Customers by Economic Sector

The following table sets forth an analysis of DBK's loan portfolio, by economic sector, before impairment, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Manufacturing	583,026.0	37.3	548,772.5	38.3	465,987.8	33.5
Carbon and petrochemical manufacturing	575,130.8	36.8	539,889.1	37.7	616,030.7	44.2
Information and telecommunication	59,277.5	3.8	86,262.2	6.0	88,879.3	6.4
Energy and electricity distribution	94,295.3	6.0	84,748.1	5.9	84,383.0	6.1
Chemical	70,437.4	4.5	65,525.6	4.6	47,491.6	3.4
Machinery-producing	36,995.6	2.4	23,541.9	1.7	16,467.3	1.2
Construction materials	27,414.8	1.8	20,284.3	1.4	21,044.9	1.5
Transportation and warehousing	36,779.4	2.4	19,713.7	1.4	23,127.6	1.7
Real Estate	29,060.7	1.9	—	—	—	—
Food processing	16,808.3	1.1	11,772.5	0.8	7,087.7	0.5
Mortgage	256.8	0.0	308.5	0.0	368.5	0.0
Agriculture	3,561.0	0.2	—	—	6,178.5	0.4
Other	31,361.9	2.0	30,353.9	2.1	15,871.1	1.1
Total gross loans	**1,564,405.5**	**100.0**	**1,431,172.3**	**100.0**	**1,392,918.0**	**100.0**
Impairment allowance	(71,747.0)	—	(40,154.0)	—	(24,692.4)	—
Total net loans to customers	**1,492,658.6**	—	**1,391,018.3**	—	**1,368,225.6**	—

As a percentage of total gross loans to customers, loans to customers in the manufacturing sector decreased from 38.3% of total gross loans as at 31 December 2016, to 37.3% as at 31 December 2017 (although the total value of such loans increased over the same period), and loans to customers in the carbon and petrochemical manufacturing sector decreased from 37.7% as at 31 December 2016, to 36.8% as at 31 December 2017 (although the total value of such loans increased over the same period). The decreases in loans to customers in the manufacturing sector and loans to customers in the carbon and petrochemical manufacturing sector, each as a percentage of total loans to customers, in the year ended 31 December 2017 were primarily due to a reduction in the financing of major projects in these industries, as well as overall growth of DBK's loan portfolio. In addition, certain large projects are financed in foreign currencies, which, due to the strengthening of the Tenge, led to a decrease in absolute terms in certain loans to customers in such industries in the year ended 31 December 2017. Loans to the information technology sector decreased from 6.0% of total gross loans to customers as at 31 December 2016 to 3.8% as at 31 December 2017, primarily due to the repayment of bonds issued by JSC Kazakhtelecom (which are classified as loans). Such fluctuations in loans to customers by economic sector, for the most part, occur in the ordinary course of DBK's business and generally result from the disbursement or repayment of one or more large loans.

Loans to customers in the manufacturing sector accounted for the largest proportion of overall lending as at each of 31 December 2017, 31 December 2016 and 31 December 2015, accounting for 37.3%, 38.3% and 33.5% of total gross loans, respectively. As at 31 December 2017, the three largest investment projects and export operations were in the manufacturing sector. DBK's participation in such projects accounted for approximately U.S.$894.5 million. See "*Business—Investment Projects*".

Loans to Customers by Geographic Location

As at 31 December 2017, 100% of total loans to customers were loans to customers in Kazakhstan. For the purposes of the overall development of the territories of Kazakhstan and their involvement in the relation to the Government programmes which DBK supports, DBK carries out lending in all regions of Kazakhstan. See "*Business—Participation in Government Programmes"*. The regional distribution across the loan portfolio varies depending on the nature and industry of investment projects being undertaken as at any given date. As at 31 December 2017, outstanding loans to customers were granted for the implementation of projects in the following cities and regions: Akmola region (0.4% of total loans to customers), Almaty city (0.9%), Almaty region (1.6%), Kostanay (1.2%), Zhambyl (1.9%), Kyzylorda (2.2%), West Kazakhstan (2.2%), Mangistau (3.3%), Astana (3.8%), Karaganda (4.2%), South Kazakhstan (8.5%), East Kazakhstan (9.8%), Aktobe (12.6%), Pavlodar (15.8%) and Atyrau (19.3%), while interregional projects accounted for 12.4% of total loans to customers.

Loans to Customers by Currency

The following table sets forth an analysis of DBK's loan portfolio, by currency, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
U.S. Dollars	830,171.3	55.6	876,257.9	63.0	984,437.0	71.9
Tenge	644,090.2	43.2	494,582.9	35.6	363,647.4	26.6
Euros	15,956.4	1.1	16,669.8	1.2	16,514.4	1.2
Other currencies	2,440.7	0.2	3,507.7	0.3	3,626.8	0.3
Total net loans to customers	**1,492,658.6**	**100.0**	**1,391,018.3**	**100.0**	**1,368,225.6**	**100.0**

Fluctuations may occur when a single large loan is disbursed or repaid. As a percentage of total net loans to customers as at 31 December 2017, as compared to 31 December 2016, loans to customers denominated in Tenge increased from 35.6% to 43.2%, after having increased from 26.6% as at 31 December 2015. As with U.S. Dollar-denominated loans, fluctuations in Tenge-denominated loans may occur when a single large loan is disbursed or repaid.

Loans to customers denominated in U.S. Dollars comprised the largest proportion of lending, accounting for 55.6% of total net loans as at 31 December 2017 and 63.0% and 71.9% of total net loans as at 31 December 2016 and 2015, respectively.

Loans to Customers by Maturity

The following table sets forth an analysis of DBK's loan portfolio after allowances for losses, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	—	—	23,200.2	1.7	1,024.0	0.1
One month to three months	29,473.1	2.0	10,298.1	0.7	10,117.9	0.7
Three months to one year	78,774.4	5.3	44,484.0	3.2	30,896.3	2.3
One year to five years	211,489.1	14.2	265,087.1	19.1	229,624.1	16.8
More than five years	1,172,598.1	78.6	1,047,673.4	75.3	1,095,343.4	80.1
Overdue	324.0	0.0	275.5	0.0	1,219.9	0.1
Total net loans to customers	**1,492,658.6**	**100.0**	**1,391,018.3**	**100.0**	**1,368,225.6**	**100.0**

Reflecting its principal mission as a development bank to provide financing for large-scale investment projects, DBK's loan portfolio is principally comprised of loans with more than five years until maturity, which accounted for 78.6% of total net loans as at 31 December 2017, as compared to 75.3% and 80.1% as at 31 December 2016 and 2015, respectively. In addition, loans with between one and five years until maturity comprised 14.2% of total net loans to customers as at 31 December 2017, as compared to 19.1% and 16.8% as at 31 December 2016 and 2015, respectively.

Overdue loans comprised 0.0% of total net loans to customers as at 31 December 2017, as compared to 0.0% and 0.1% as at 31 December 2016 and 2015, respectively.

Loans to Customers by Size

The following table sets forth an analysis of DBK's loan portfolio (for investment projects only), by size, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	Principal Amount	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**	**Principal Amount**	**№ of Investment Projects**
	(KZT millions)		*(KZT millions)*		*(KZT millions)*	
Under U.S.$25 million	45,776	10	72,066	20	77,334	22
U.S.$25-50 million	157,007	12	103,218	8	87,405	7
U.S.$50-100 million	333,771	13	190,923	8	254,763	10
U.S.$100-200 million	250,535	6	37,834	1	87,542	2
Over U.S.$200 million	1,212,466	8	1,226,062	8	704,097	4

As at 31 December 2017, 20.4% of DBK's loans to customers were in an amount of less than U.S.$25 million, as compared to 44.4% and 48.9% as at 31 December 2016 and, respectively. As at 31 December 2017, 26.5% of DBK's loans to customers were in an amount of between U.S.$50 million and U.S.$100 million, as compared to 17.8% and 20.8% as at 31 December 2016 and 2015, respectively.

Loans to Banks *(replacing the information set out under the caption "Selected Statistical and Other Data—Loans to Banks" beginning on page 49 of the Base Prospectus)*

In 2014, the Bank began lending to second-tier banks for on-lending, particularly to the private sector, primarily through the implementation of Government programmes. Loans to banks decreased by KZT 144,912.8 million, or 68.1%, to KZT 68,000.0 million as at 31 December 2017 from KZT 212,912.8 million as at 31 December 2016. Loans to banks increased in 2016 by KZT 128,949.0 million, or 153.6%, from KZT 83,963.8 million as at 31 December 2015. See Note 15 to the 2017 Annual Financial Statements, Note 15 to the 2016 Annual Financial Statements and "*Business—Participation in Government Programmes*".

The decrease in loans issued to banks as at 31 December 2017, as compared to 31 December 2016, was primarily due to the repayment of short-term loans issued in 2017. The year-on-year increase in loans to banks in 2016 and 2015, was primarily due to an increase in funding provided to DBK under Government programmes.

As at each of 31 December 2017, 2016 and 2015, 100% of DBK's loans to banks were denominated in Tenge.

Loans to Banks by Maturity

The following table sets forth an analysis of DBK's loans to banks after allowances for losses, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	—	—	—	—	—	—
One month to three months	—	—	—	—	—	—
Three months to one year	—	—	135,643.6	63.7	—	—
One year to five years	13,538.7	19.9	22,560.7	10.6	31,578.8	37.6
More than five years	54,461.2	80.1	54,708.4	25.7	52,385.0	62.4
Overdue	—	—	—	—	—	—
Total net loans to banks	**68,000.0**	**100.0**	**212,912.8**	**100.0**	**83,963.8**	**100.0**

As at 31 December 2017, 80.1% of DBK's loans to banks was comprised of loans with maturities of more than five years, as compared to 25.7% as at 31 December 2016 and 62.4% as at 31 December 2015.

Loans to Kazinvestbank, Delta Bank and Bank RBK

As at 31 December 2017, DBK had no outstanding balances of loans issued to second tier banks whose balances exceeded 10% of equity.

In December 2016, the NBK revoked the banking licence of Kazinvestbank JSC due to the improper fulfilment of its contractual obligations related to payment and transfer transactions. Accordingly, DBK recognised the loans issued to Kazinvestbank JSC (in an amount of KZT 4,087.2 million as at 31 December 2016) as fully impaired. The Almaty Court has ruled to forcibly liquidate Kazinvestbank JSC and, on 20 February 2018, the Liquidation Commission notified DBK that it would be included in the register of creditors' claims (as eighth ranking creditor). As at 31 December 2017, DBK considers the loans issued to Kazinvestbank JSC for the total amount of KZT 4,087.2 million as fully impaired based on its understanding of the Kazinvestbank JSC current financial position it does not expect probable future cash flows from the assets.

As at 31 December 2016, DBK held deposits of KZT 20,085.9 in Delta Bank JSC ("**Delta Bank**") and DBK recognised impairment in the amount of KZT 3,944.2 million in relation to these deposits. In June 2017, DBK signed a tripartite agreement with Delta Bank and several borrowers. Pursuant to this agreement, DBK's rights to claim amounts in respect of such deposits from Delta Bank were terminated and DBK acquired the rights to claim funds from several borrowers of Delta Bank directly. During the year ended 31 December 2017, DBK recognised impairment losses in relation to these borrowers in the amount of KZT 15,552.7 million within impairment losses on loans to customers. As at 31 December 2017, the gross amounts receivable from these borrowers were fully impaired.

DBK had balances of KZT 5,040.5 million on the deposit account with Bank RBK JSC. In December 2017, a claim to this deposit account was restructured in accordance with the terms and conditions of the Framework Agreement dated 7 November 2017 signed between the Government of the Republic of Kazakhstan, SWF "Samruk-Kazyna", Baiterek JSC, Holding "KazAgro" JSC, Bank RBK JSC and Kazakhmys LLC. As part of the restructuring, DBK's claims to Bank RBK JSC were replaced with the collateralised debt obligations of Special Financial Company "DSFK" LLP, to which the non-performing loans of Bank RBK JSC have been transferred. This portfolio of transferred non-performing loans secures the issued debt obligations of Special Financial Company "DSFK" LLP. The fair value of these securities on DBK's balance sheet as at 31 December 2017 was KZT 860.6 million and represented the fair value of the guarantee of Kazakhmys LLP provided to the holders of said securities. Based on the results of the restructuring, DBK recognised an impairment loss of KZT 2,202.1 million in the consolidated statement of profit or loss and KZT 1,979.3 million in the consolidated statement of changes in equity. A part of impairment loss was recognized directly in equity, since the restructuring was mandated by Baiterek JSC.

See Note 14 to the 2017 Annual Financial Statements.

Loan Policies and Credit Approval Procedures *(supplementing the information set out under the caption "Selected Statistical and Other Data—Loan Policies and Credit Approval Procedures" beginning on page 50 of the Base Prospectus)*

Since the start of its operations in 2001, DBK has approved more than 121 credit applications to finance investment projects and 100 export transactions.

Loan Classification Policies

In general, DBK classifies its loan portfolio by credit quality into performing (non-impaired), under performing and not-performing (impaired) loans. See "*—Loan Provisioning Policy*". As at 1 January 2018, performing loans, under performing loans and not performing loans accounted for approximately 71%, 26% and 3% of total gross loans to customers (comprising the credit portfolio of DBK's investment projects), respectively. See "*—Loan Provisioning Policy*".

DBK classifies loans overdue by more than 90 days as NPLs. As a result of the foregoing, as at 31 December 2017, 1.3% of gross loans to customers were classified as NPLs, as compared to 0% and 0% as at 31 December 2016 and 2015, respectively.

Loan Provisioning Policy

IFRS 9 became effective on 1 January 2018. In preparation for the implementation of IFRS 9, the Bank has developed a methodology for the calculation of provisions, which has been agreed with the NBK. According to this methodology, provisions are calculated on the basis of an ECL model. The determination of the required ECL depends on the allocation of the loan to one of three stages in the model: (i) stage one (performing) for loans upon initial recognition independently of their credit quality unless they are originally credit impaired at origination (*i.e.*, restructured loans); (ii) stage two (under-performing) for loans and financial assets for which there has been a significant increase in credit risk since the initial recognition; and (iii) stage three (not performing) for impaired loans and financial assets if there is objective evidence of credit loss.

See Note 3 to the 2017 Annual Financial Statements, "*Risk Factors—Risks factors relating to DBK—Impact of IFRS 9*" and "*Management's Discussion and Analysis of Results of Operations and Financial Condition—Primary Factors affecting DBK's Results of Operations—IFRS 9*".

Credit Monitoring

As at 31 December 2017, there were zero loans being handled by the Distressed Loan Department.

Analysis of Loans by Credit Quality

The following tables set forth information on the credit quality of DBK's loan portfolio to customers as at 31 December 2017:

	As at 31 December 2017			
	Gross loans	**Impairment allowance**	**Net loans**	**Impairment allowance to gross loans**
		(KZT millions)		*(%)*
Loans without individual signs of impairment[1]	1,346,764.5	(15,539.8)	1,331,224.7	1.2
Impaired loans, *of which*				
Not past due	181,628.9	(25,843.7)	155,785.2	14.2
Overdue by less than 30 days	2,225.3	(2,225.3)	—	100.0
Overdue by less than 90 days	13,538.0	(13,538.0)	—	100.0
Overdue by less than 180 days and less than 1 year	20,248.7	(14,600.1)	5,648.7	72.1
Total impaired loans	**217,641.0**	**(56,207.1)**	**161,433.9**	**25.8**
Total loans	**1,564,405.5**	**(71,747.0)**	**1,492,658.6**	**4.6**

Note:

(1) Renegotiated loans are also included in the category of assets without individual signs of impairment, unless the borrower fails to comply with the renegotiated terms.

As at 31 December 2017, the ratio of impairment provisions to total gross loans to customers was 25.83%, as compared to 26.66% and 21.70% as at 31 December 2016 and 2015, respectively. The decrease in impairment provisions to total gross loans to customers as at 31 December 2017, as compared to 31 December 2016, was primarily due to increases in the loan portfolio as a result of the issuance of loans to new borrowers covered by guarantees of state companies and the issuance of Tenge-denominated loans, for which the historical loss rate is lower, which were considered not to require provisioning.

The year-on-year increase in impairment provisions in 2016 was primarily due to the negative effect of the devaluation of the Tenge in August 2015, which had a significant impact on the creditworthiness of borrowers with loans denominated in foreign currencies. See "*—Loans to Customers by Currency*".

DBK classifies loans overdue by more than 90 days as NPLs. As a result of the foregoing, as at 31 December 2017, 1.3% of gross loans to customers were classified as non-performing, as compared to 0% and 0% as at 31 December 2016 and 2015, respectively.

Analysis of Movements in Loan Impairment Allowance

The following table sets forth an analysis of movements in the loan to customers impairment allowance for the years ended 31 December 2017, 2016 and 2015:

	Year ended 31 December		
	2017	**2016**	**2015**
		(KZT millions)	
Balance at the beginning of the year/period	(40,154.0)	(24,692.4)	(34,221.0)
Net recovery of/(charge for) the period	(27,310.5)	(16,268.0)	(15,562.6)
Reclassification to discount	—	—	744.7
Debt relief provided for restructured loans	—	—	20,761.4
Transfer from placements with banks and other financial institutions	(3,942.2)	—	—
Effect of foreign currency movements	(340.2)	806.4	(29,563.1)
Recovery of accrued interest previously written off	—	—	
Write-offs	—	—	33,148.2
Balance at the end of the year	**(71,747.0)**	**(40,154.0)**	**(24,692.4)**

Policies relating to Collateral *(supplementing the information set out under the caption "Selected Statistical and Other Data—Policies relating to Collateral" beginning on page 54 of the Base Prospectus)*

Pursuant to the DBK Law, DBK requires security from all corporate borrowers except in the circumstances where DBK's participation in the financing is made through 100% participation in share capital, mezzanine financing or interbank financing. As at 31 December 2017, loans to customers with a carrying amount of KZT 15,980.0 million were unsecured with no collateral or other credit enhancement, as compared to KZT 2,258.5 million as at 31 December 2016 and KZT 5,439.8 million as at 31 December 2015. In accordance with DBK's internal policies, at least 30% of the security must be comprised of "tangible assets collateral", which includes immovable property, movable property, cash and commodities. DBK also accepts security by way of third party guarantees, provided that such guarantees meet DBK's requirements. The main requirements in relation to collateral are set forth in DBK's Policy on Securing the Fulfilment of Obligations, which was approved by the Board of Directors. See Note 16 to the 2017 Annual Financial Statements.

As at 31 December 2017, impaired or overdue loans to customers with an aggregate gross value of KZT 217,641.0 million were secured by collateral with a fair value of KZT 421,549.9 million. During the year ended 31 December 2017, DBK did not acquire any assets by foreclosure on collateral accepted as security for loans.

As a result of the foregoing, as at 31 December 2017, the coverage ratio of total collateral to total loans was 193.7%, as compared to 169.3% and 260.1% as at 31 December 2016 and 2015, respectively.

Contingent Liabilities and Other Off-Balance Sheet Exposures *(replacing the information set out under the caption "Selected Statistical and Other Data—Contingent Liabilities and Other Off-Balance Sheet Exposures" beginning on page 55 of the Base Prospectus)*

Credit related commitments

In the normal course of business, DBK makes contractual commitments on behalf of its customers and, in order to meet the financing needs of its customers, is a party to financial instruments with off-balance sheet risk. Such commitments comprise principally loans or credit lines, whereby DBK agrees to make payments for customers' accounts under certain conditions or in the event of default by a customer and financial guarantees and letters of credit to guarantee the performance of customers to third parties. In return for such payments, DBK receives a counter-indemnity from the customer, as well as (to a lesser extent), documentary credits for imports and exports, finance leases (under similar stand-by terms) and commitments with respect to recourse risks arising from discounted bills. These services are normally provided on a fee-paying basis.

The following table sets forth an analysis of DBK's credit related commitments as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	**2016**	**2015**
		(KZT millions)	
Letters of credit line and finance lease commitments	377,519.0	171,628.4	192,250.5
Letters of credit, guarantees and other commitments related to settlement operations...	4,393.9	10,425.4	24,853.0

As at 31 December 2017, letters of credit line and finance lease commitments increased by KZT 205,890.6 million, or 120.0%, to KZT 377,519.0 million from KZT 171,628.4 million to KZT 171,628.4 million as at 31 December 2016, after having decreased by KZT 20,622.1 million, or 10.7% from KZT 192,250.5 million as at 31 December 2015. Fluctuations in credit line and finance lease commitments were due to the granting or repayment of such commitments with customers in the relevant periods.

As at 31 December 2017, letters of credit, guarantees and other commitments related to settlement operations decreased by KZT 6,031.5 million, or 57.9%, to KZT 4,393.9 million from KZT 10,425.4 million as at 31 December 2016, after having decreased in 2016 by KZT 14,427.6 million, or 58.1% from KZT 24,853.0 million as at 31 December 2015. Fluctuations in letters of credit and other commitments were due to the entry into and fulfilment of such commitments during the relevant periods.

Derivatives *(supplementing the information set out under the caption "Selected Statistical and Other Data—Derivatives" beginning on page 56 of the Base Prospectus)*

As at 31 December 2017, the fair value liability of derivative financial instruments decreased by KZT 8,394.7 million, or 100.0%, to KZT 0.0 million from KZT 8,394.7 million as at 31 December 2016. This decrease was mainly due to DBK's closing of its open positions in 2017.

As at 31 December 2017, the fair value asset of derivative financial instruments decreased by KZT 3,104.0 million, or 5.3%, to KZT 55,353.5 million from KZT 58,457.5 million as at 31 December 2016. This decrease was mainly due to changes in currency rates and discount rates used in the valuation of such assets.

See Note 23 to the 2017 Annual Financial Statements for details of the foreign currency transactions entered into by DBK with the NBK.

Finance Lease Receivables *(supplementing the information set out under the caption "Selected Statistical and Other Data—Finance Lease Receivables" beginning on page 58 of the Base Prospectus)*

As at 31 December 2017, DBK's finance lease receivables increased by KZT 52,189.8 million, or 118.3%, to KZT 96,293.8 million from KZT 44,104.0 million as at 31 December 2016, after having increased by KZT 12,888.5 million, or 41.3%, to KZT 44,104.0 million from KZT 31,215.5 million as at 31 December 2015.

As at 31 December 2017, DBK had ten lessees or four groups of lessees whose balances accounted for 59% of the total carrying amount of lease receivables (of which up to 57% of the total carrying amount relate to the JSC National Company "Kazakhstan Temir Zholy" group of companies).

Finance Lease Receivables by Type of Lessee

The following table sets forth the components of DBK's finance lease receivables, by type of lessee, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Leases to large corporates[1]	21,194.9	20.6	23,770.6	46.6	17,921.8	45.5
Leases to small-[2] and medium-sized[3] companies	81,753.6	79.4	27,186.9	53.4	21,458.7	54.5
Gross investment in finance leases..	**102,948.5**	**100.0**	**50,957.6**	**100.0**	**39,380.5**	**100.0**
Less impairment allowance.......	(6,654.7)	—	(6,853.6)	—	(8,165.0)	—
Net investment in finance leases..	**96,293.8**	—	**44,104.0**	—	**31,215.5**	—

Notes:

(1) Large corporates are corporate entities with more than 250 employees and average assets in excess of U.S.$3 million.

(2) Small companies are companies with up to 50 employees and average assets of up to U.S.$0.5 million.

(3) Medium companies are companies with between 50 and 250 employees and average assets of between U.S. $0.5 million and U.S.$3 million.

Since 31 December 2014, as a matter of strategic policy, leases to small- and medium-sized companies ("**SMEs**") have comprised the largest component of DBK's portfolio of finance lease receivables, with such leases accounting for 79.4% of total gross investments in finance leases as at 31 December 2017, as compared to 53.4% and 54.5% as at 31 December 2016 and 2015, respectively.

The increase in leases to SMEs in 2017 was primarily due to DBK and DBK-Leasing's participation in Government programmes aimed at providing support to SMEs, in particular, DBK-Leasing's involvement in the "Business Road Map 2020" Programme. See "*Business—Participation in Government Programmes*".

Finance Lease Receivables by Maturity

The following table sets forth an analysis of DBK's finance lease receivables, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	600.2	0.6	508.5	1.2	213.0	0.7
One month to three months....................	5,215.4	5.4	1,740.2	3.9	712.0	2.3
Three months to one year.......................	8,181.8	8.5	5,297.8	12.0	4,288.5	13.7
One year to five years	36,582.2	38.0	23,706.5	53.8	18,440.3	59.1
More than five years	44,893.2	46.6	11,638.7	26.4	6,232.9	20.0
Overdue	821.0	0.9	1,212.2	2.7	1,328.7	4.3
Total finance lease receivables	**96,293.8**	**100.0**	**44,104.0**	**100.0**	**31,215.5**	**100.0**

As at 31 December 2017, 46.6% of total finance lease receivables had more than five years remaining until contractual maturity, as compared to 26.4% and 20.0% of total finance lease receivables as at 31 December 2016 and 2015, respectively, in line with the long-term nature of DBK-Leasing's lease-financing portfolio and, in turn, DBK's role as a development bank.

__Analysis of Finance Lease Receivables by Credit Quality__

The following tables set forth information on the credit quality of the finance lease portfolio as at 31 December 2017, 2016 and 2015:

	As at 31 December 2017			
	Gross finance leases	**Impairment**	**Net finance leases**	**Impairment as a percentage of gross finance leases**
		(KZT millions)		*(%)*
Leases to large corporates				
Leases for which no impairment has been identified:				
Not overdue	18,054.0	(642.9)	17,411.1	3.56
Impaired Leases:				
Not overdue	1,184.9	(500.4)	684.5	42.23
Overdue by more than 90 days and less than 360 days	743.8	(51.5)	692.3	6.92
Overdue by more than 360 days	1,212.2	(976.9)	235.3	80.59
Total leases to large corporates	**21,194.9**	**(2,171.7)**	**19,023.2**	**10.25**
Leases to small, and medium-sized companies				
Leases for which no impairment has been identified:				
Not overdue	69,395.2	(1,963.0)	67,432.2	2.83
Overdue by more than 5 days and less than 90 days	1,262.4	(45.0)	1,217.5	3.56
Impaired leases				
Not overdue	11,095.9	(2,475.0)	8,620.9	22.31
Total leases to small, and medium-sized companies	**81,753.6**	**(4,483.0)**	**77,270.6**	**5.48**
Total finance leases	**102,948.5**	**(6,654.7)**	**96,293.8**	**6.46**

As at 31 December 2017, impairment as a percentage of total finance leases was 6.46%, as compared to 13.45% and 20.73% as at 31 December 2016 and 2015, respectively. The decrease in impairment as a percentage of gross finance leases as at 31 December 2017 and 31 December 2016 is due to a decrease in the annual level of losses, determined on the basis of historical practice of the occurrence of damage by asset category, taking into account the then-current economic situation and write-off of reserves as a result of withdrawal of leased items.

Available-for-sale Financial Assets *(supplementing the information set out under the caption "Selected Statistical and Other Data—Available-for-sale Financial Assets" beginning on page 61 of the Base Prospectus)*

Available-for-sale financial assets held by DBK decreased by KZT 109,658.8 million, or 39.8%, to KZT 165,997.5 million as at 31 December 2017, as compared to KZT 275,656.3 million as at 31 December 2016, after having increased by KZT 101,261.9 million, or 58.1%, in 2015.

The decrease as at 31 December 2017, as compared to 31 December 2016, was primarily due to the decrease in corporate bonds held by DBK in the year ended 31 December 2017 by KZT 22,288.7 million, or 45.6%, to KZT 26,543.0 million as at 31 December 2017, from KZT 48,831.7 million as at 31 December 2016, which was primarily as a result of the sale of corporate bonds. This decrease was partially offset by the purchase of bonds of Kazakhstan banks by DBK.

Available-for-Sale Financial Assets by Type

The following table sets forth the composition of DBK's investment portfolio of available-for-sale financial assets, by type, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Held by the Group						
Debt Instruments						
Corporate bonds	26,543.0	16.0	48,831.7	17.7	28,529.9	16.4
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	82,001.9	49.4	163,863.0	59.5	8,397.1	4.8
Bonds of Kazakh banks	17,571.7	10.6	10,027.3	3.6	20,988.2	12.0
Bonds of Kazakh credit institutions, other than banks	5,213.5	3.1	4,662.2	1.7	15,290.3	8.8
Bonds of the Sovereign Wealth Fund «Samruk-Kazyna» JSC	22,376.0	13.5	36,108.4	13.1	35,646.4	20.4
Bonds of CIS based financial institutions	12,291.4	7.4	12,163.7	4.4	65,542.5	37.6
Bonds of OECD banks[1]	—	—	—	—	—	—
Treasury Bills of the Treasury Department of the United States	—	—	—	—	—	—
Total	**165,997.5**	**100.0**	**275,656.3**	**100.0**	**174,394.4**	**100.0**

Note:
(1) OECD means the Organisation for Economic Co-operation and Development.

Available-for-Sale Financial Assets by Maturity

The following table sets forth an analysis of DBK's investment portfolio of available-for-sale financial assets, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Less than one month	—	—	—	—	—	—
One month to three months	—	—	—	—	—	—
Three months to one year	29,318.6	17.7	35,070.8	12.7	12,167.1	7.0
One year to five years	53,562.0	32.2	57,260.6	20.8	136,888.4	78.5
More than five years	83,116.8	50.1	183,324.9	66.5	25,338.9	14.5
Overdue	—	—	—	—	—	—
Total available –for-sale assets	**165,997.5**	**100.0**	**275,656.3**	**100.0**	**174,394.4**	**100.0**

As at 31 December 2017, 50.1% of total available-for-sale financial assets had more than five years remaining until contractual maturity, as compared to 66.5% and 14.5% of total available-for-sale financial assets as at 31 December 2016, 2015, respectively, in line with DBK's mandate as a development bank.

Available-for-Sale Financial Assets by Currency

The following table sets forth an analysis of DBK's available-for-sale financial assets, by currency, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	55,450.3	33.4	69,590.4	25.2	70,681.6	40.5
U.S. Dollars	110,547.2	66.6	206,065.9	74.8	103,712.8	59.5
Other currencies	—	—	—	—	—	—
Total available-for-sale financial assets	**165,997.5**	**100.0**	**275,656.3**	**100.0**	**174,394.4**	**100.0**

As at 31 December 2017, 66.6% of DBK's available-for-sale financial assets was denominated in U.S. Dollars, as compared to 74.8% and 59.5% as at 31 December 2016 and 2015, respectively. As at 31 December 2017, 33.4% of DBK's available-for-sale financial assets was denominated in Tenge, as compared to 25.2% and 40.5% as at 31 December 2016 and 2015, respectively. The year-on-year decrease in total available-for-sale financial assets in 2017 was primarily due to the sale of bonds held by DBK in order to raise cash with which to settle other payment obligations of DBK, including to finance DBK's investment projects and to service the interest payable in respect of DBK's borrowings.

Analysis of Available-for-Sale Financial assets by Credit Quality

The following table sets forth information on the credit quality of DBK's available-for-sale financial assets as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		**2016**		**2015**	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Rated AA- to AA+	—	—	—	—	—	—
Rated A- to A+	—	—	—	—	—	—
Rated BBB- to BBB+	119,528.8	72.0	242,117.7	87.8	92,901.6	53.3
Rated from BB- to BB+	32,706.9	19.7	19,309.5	7.0	61,860.3	35.5
Rated from B- to B+	12,760.8	7.7	13,107.9	4.8	7,517.2	4.3
Rated from CCC- to CCC+	—	—	—	—	11,086.2	6.4
Not rated	1,001.0	0.6	1,121.1	0.4	1,029.3	0.6
Total available-for-sale financial assets	**165,997.5**	**100.0**	**275,656.3**	**100.0**	**174,394.4**	**100.0**

Note:

(1) Ratings as reported by Reuters.

Principal Sources of Funding *(supplementing the information set out under the caption "Selected Statistical and Other Data—Principal Sources of Funding" beginning on page 63 of the Base Prospectus)*

DBK's activities are funded through the issuance and placement of bonds, in both the domestic and international capital markets, and through loans from the Government of the Republic of Kazakhstan, loans from Samruk-Kazyna and Baiterek JSC, loans from banks and other financial institutions, Government grants and current accounts and deposits from customers and financial institutions, including subsidiaries of Baiterek JSC.

DBK may take inter-bank deposits and open and maintain correspondent accounts for the purpose of managing its liquidity.

The following table sets forth DBK's principal external sources of funding (*i.e.*, other than capital) as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Current accounts and deposits from customers	25,282.2	1.2	109,468.5	5.3	41,829.6	2.3
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	38,399.3	1.2	37,552.3	1.8	36,746.0	2.1
Loans from banks and other financial institutions	877,251.2	40.7	918,065.4	44.2	917,247.8	51.8
Loans from the Parent Company	91,036.3	4.2	35,177.3	1.7	—	—
Government grants	185,447.8	8.6	118,332.1	4.5	44,298.9	2.5
Debt securities issued	798,957.5	37.5	727,566.5	35.0	573,550.8	32.4
Of which:						
Eurobonds denominated in U.S.$	*485,673.7*	*22.5*	*487,076.7*	*22.6*	*551,637.7*	*29.8*
Eurobonds denominated in KZT	*100,000.0*	*4.6*	—	—	—	—
Local Bonds	*224,008.0*	*10.4*	*232,500.0*	*11.5*	*24,956.4*	*1.5*
Sukuk	—	—	*18,209.9*	*0,9*	*19,370.0*	*1.1*
Subordinated debt	92,256.0	4.3	86,831.6	4.2	77,548.3	4.4
Other liabilities	33,378.2	1.5	22,425.9	2.2	52,868.2	3.0
Deferred tax liabilities	13,365.5	0.6	14,073.9	0.7	19,298.5	1.1
Derivative financial instruments	—	—	8,394.7	0.4	8,634.0	0.5
Total	**2,155,374.0**	**100.0**	**2,077,888.2**	**100.0**	**1,772,022.1**	**100.0**

To diversify its funding base and to enable it to better manage its maturity profile, DBK has entered into various credit facilities as described in "*—Borrowings*", established the Programme and issued various debt securities as described in *"—Debt Securities*". DBK has also signed a number of framework agreements and memorandums of co-operation with Japan Bank for International Cooperation, China Export-Import Bank, Deutsche Bank, Korea Export-Import Bank, Oesterreichische Kontrollbank Aktiengesellschaft, Vnesheconombank, BNP Paribas, Sumitomo Mitsui Banking Corporation, BPI (COFACE), MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), China Export & Credit Insurance Corporation Sinosure, European Investment Bank and Korea Trade Insurance Corporation K-Sure.

Debt Redemption Schedule

The following table sets forth certain information regarding the estimated scheduled maturities and interest payments in respect of DBK's debt portfolio(1) as at 31 December 2017:

Due Date	Interest Payments Due(2) (KZT millions)	Principal Amount Due(2) (KZT millions)
31 December 2018	90,032	80,297
31 December 2019	81,913	376,864
31 December 2020	71,687	212,871
31 December 2021	57,947	98,015
31 December 2021 and after	183,017	1,557,775

Note:

(1) Comprised of loans from banks and other financial institutions, loans from Government and Samruk-Kazyna, loans from the Parent Company, Government grants, debt securities issued and subordinated debt.

(2) Amounts due within 12 months of the relevant reporting date.

Borrowings

The principal source of funding for DBK is loans from banks and other financial institutions, which accounted for 40.7%, 44.2% and 51.8% of DBK's total liabilities as at 31 December 2017, 31 December 2016 and 2015, respectively. Loans from Samruk-Kazyna, from Baiterek JSC and from the Government also contribute to the funding of DBK, with loans from the Government and Samruk-Kazyna accounting for 1.8% of DBK's total liabilities as at 31 December 2017, as compared to

1.8% and 2.1%, respectively, as at 31 December 2016 and 2015 and loans from Baiterek JSC accounting for 4.2% of DBK's total liabilities as at 31 December 2017, as compared to 1.7% and 0.0%, respectively, as at 31 December 2016 and 2015.

Loans from Banks and Other Financial Institutions

The table below sets forth certain information in respect of the composition of DBK's loans from banks and other financial institutions, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Loans with fixed interest rates						
Loans from OECD banks	17,980.0	2.0	19,622.3	2.1	21,801.9	2.4
Loans from non-OECD banks	472,306.0	53.8	546,690.2	59.5	642,167.5	70.0
Total loans with fixed interest rates	**490,286.0**	**55.9**	**566,312.5**	**61.7**	**663,969.4**	**72.4**
Loans with floating interest rates						
Loans from OECD banks	8,895.3	1.0	14,374.9	1.6	5,042.5	0.5
Loans from non-OECD banks and other financial institutions	397,328.9	45.3	371,804.7	40.5	298,817.6	32,6
Total loans with floating interest rates	**406,224.2**	**46.3**	**386,179.6**	**42.1**	**303,860.1**	**33.1**
Less unamortised portion of borrowing costs	(19,259.0)	(2.2)	(34,426.6)	(3.7)	(50,581.7)	(5.5)
Net total loans from banks and other financial institutions	**877,251.2**	**100.0**	**918,065.4**	**100.0**	**917,247.8**	**100.0**

As at 31 December 2017, loans from banks and other financial institutions decreased by KZT 40,814.2 million, or 4.4%, to KZT 877,251.2 million from KZT 918,065.4 million as at 31 December 2016, primarily reflecting a KZT 74,384.2 million, or 13.6%, decrease in the amount of loans from non-OECD banks with fixed interest rates as at 31 December 2017, as compared to 31 December 2016, as well as a KZT 25,524.2 million, or 6.9%, decrease in the amount of loans from non-OECD banks and other financial institutions with floating interest rates. The decrease in loans from non-OECD banks in the year ended 31 December 2017 was primarily due to the prepayment of amounts under loans with the Export-Import Bank of China and MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as more fully described below.

Roseximbank JSC

On 15 December 2016, DBK-Leasing entered into RUR 2,268 million Loan Facility Agreement with Roseximbank JSC at an interest rate of 9% *per annum* for purchase of passenger wagons. As at 31 December 2017, the aggregate principal amount outstanding under the facility agreement was RUR 2,226 million.

On 9 November 2017, DBK-Leasing entered into a RUR 558.4 million Loan Facility Agreement with Roseximbank JSC for financing the purchase and on-leasing of passenger wagons at an interest rate of 5.75% *per annum*. On 6 December 2017, DBK-Leasing drew down a principal amount of RUR 248.1 million and further principal amounts of RUR 44.6 million and RUR 33.1 million were drawn down on 1 March 2018 and 15 March 2018, respectively.

Sumitomo Mitsui Banking Corporation Europe Limited

On 27 October 2015, DBK entered into a U.S.$37.3 million loan with Sumitomo Mitsui Banking Corporation Europe Limited, to be used for general corporate purposes. As at 31 December 2017, the aggregate principal amount outstanding under the loan was U.S.$24.9 million.

On 29 December 2017, DBK entered into a Sinosure-insured U.S.$225.0 million loan with a syndicate of banks (comprising Sumitomo Mitsui Banking Corporation Europe Limited, MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Deutsche Bank AG, Hong Kong Branch and Crédit Agricole Corporate and Investment Bank). The loan matures on 25 April 2030 and bears interest at a rate of 3 month LIBOR, plus 1.8%. As at 31 December 2017, there were no amounts outstanding under the loan. On 27 February 2018, DBK drew down U.S.$140 million under the loan.

MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

In November 2017, DBK fully repaid its U.S.$10.0 million revolving credit agreement with MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

HSBC Bank plc

On 24 April 2014, DBK signed a €56.1 million credit agreement with HSBC Bank plc. Between 6 June 2014 and 18 January 2016, loans aggregating €47.7 million were drawn down under this credit agreement. The credit agreement matures on 5 July 2023 and bears interest at a rate of 2.85% *per annum*. As at 31 December 2017, the aggregate principal amount outstanding under the credit agreement was €38.2 million.

Export-Import Bank of China

China Ex-im Bank Facility

As at 31 December 2017, following the partial early repayment of U.S.$200 million in January 2017, the principal amount outstanding under the unrestricted portion of the China Ex-im Bank Facility was U.S.$800 million.

In January 2018, DBK voluntarily prepaid U.S.$500 million under the unrestricted portion of the China Ex-im Bank Facility and has also announced its intention to repay the remaining U.S.$300 million in 2018.

As at 31 December 2017, the principal amount outstanding under the restricted portion of the China Ex-im Bank Facility was U.S.$555.4 million.

Paragraph 3 on page 67 of the Base Prospectus shall be deemed to be deleted in its entirety.

Other Loans

In addition, in May 2010, DBK entered into a loan with the Export-Import Bank of China for the amount of U.S.$400 million. As at 31 December 2017, the principal amount outstanding under this loan was U.S.$304.8 million. See "*Business—Lending—Investment Projects—Metallurgy Sector*".

On 15 October 2012, DBK entered into a U.S.$199.5 million preferential buyer credit loan agreement with the Export-Import Bank of China to finance the construction of a deep oil refining complex in Atyrau, which was amended on 30 October 2014. As at 31 December 2017, the aggregate principal amount outstanding under this preferential buyer credit loan agreement was U.S.$169.6 million.

BNP Paribas

On 23 September 2009, DBK entered into a framework agreement with BNP Paribas for a total principal amount of €200 million. Under this agreement, on 6 October 2009, DBK entered into an individual credit agreement with BNP Paribas for the amount of €10.2 million for the financing of an oil-gas separation plant at Akshabulak in the Kyzylorda region of Kazakhstan. As at 31 December 2017, the aggregate principal amount outstanding under this framework agreement was €1.5 million.

China Development Bank

In 2008 and 2009, DBK received three loans from the China Development Bank, each in the principal amount of U.S.$100 million. In December 2017, DBK made a partial early repayment of U.S.$14.0 million in respect of one loan and U.S.$21.0 million in respect of a second loan, repaying these two loans.

As at 31 December 2017, the aggregate principal amount outstanding under the outstanding loan was U.S.$7.0 million.

On 27 March 2015, DBK entered into a facility agreement with China Development Bank in the principal amount of U.S.$650 million for on-lending to customers and use in projects in sectors, including transportation, infrastructure and communication, to the mutual benefit of Kazakhstan and China. As at 31 December 2017, the aggregate principal amount outstanding under the facility agreement was U.S.$419.0 million. DBK has been provided with a waiver letter from the China Development Bank, disapplying the debt-to equity covenant contained in DBK's credit facility agreements with the China Development Bank for the year 2017 and 2018.

On 9 June 2017, DBK signed a U.S.$607 million term facility agreement with China Development Bank for the financing of modernisation and reconstruction works at the Shymkent Oil Refinery owned by Petro Kazakhstan Oil Products LLP. The facility matures on 25 April 2030 and bears interest at a rate of 2.7% *per annum* plus LIBOR. In December 2017, DBK drew down two tranches of U.S.$100 million under the facility agreement. As at 31 December 2017, the aggregate principal amount outstanding under the facility agreement was U.S.$200 million.

Japan Bank for International Co-operation

On 28 December 2009, DBK entered into a loan with the Japan Bank for International Cooperation for the amount of ¥3,441.6 million. As at 31 December 2017, the aggregate principal amount outstanding under this loan was ¥860.4 million.

Distressed Assets Fund Loan

On 2 November 2009, DBK entered into a loan with the Distressed Assets Fund, a State-owned company, for KZT 20,000 million. As at 31 December 2017, the principal amount outstanding under this loan was KZT 20 billion.

Loans from Banks and Other Financial Institutions by Maturity

The following table sets forth an analysis of DBK's loans from banks and other financial institutions, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	**2016**	**2015**
		(KZT millions)	
Less than one month	7,452.8		
One month to three months	269.3	—	—
Three months to six months	2,571.5	—	—
Six months to one year	1,111.0	7,421.3	—
One year to five years	280,977.7	355,996.3	373,148.2
More than five years	584,868.9	554,647.8	544,099.6
Loans from banks and other financial institutions	**877,251.2**	**918,065.4**	**917,247.8**

As at 31 December 2017, 66.7% of total loans from banks and other financial institutions had over five years remaining until contractual maturity, as compared to 60.4% and 59.3% of total loans from banks and other financial institutions as at 31 December 2016 and 2015, respectively, as a result of the prepayment of the fixed interest loan received from China Exim Bank in a total amount of U.S.$200 million.

Government and Samruk-Kazyna Loans

Pursuant to the DBK Law, DBK may, from time-to-time, borrow certain funds from the Government and Samruk-Kazyna in line with its role as a development bank for the purpose of on-lending funds to its corporate customers subject to the requirements, priority economic sectors and objectives set out in the Credit Policy Memorandum and the DBK Law.

DBK uses proceeds from Government and Samruk-Kazyna loans to help to develop community sectors by providing financing at interest rates comparable to those provided by similar development institutions. As at 31 December 2017, Government and Samruk-Kazyna loans consisted of long-term loans at concessional rates granted by the Government as part of a Government programme to support certain industries, including, in particular, the textile, gas processing and chemicals industries. The concessional rates of interest on the Government loans range from 0.1% to 0.6%. The funds from such loans were used by DBK to provide loans to projects in such industries and in priority sectors of the economy, including the petrochemical, metallurgy, agriculture, transport and logistics sectors, at below market rates in furtherance of DBK's role as a development bank.

Government and Samruk-Kazyna Loans by Type

The table below sets forth an analysis of the loans and advances from the Government, by type, as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	2016	2015
		(KZT millions)	
Loans from the Government	13,236.5	13,236.4	13,236.5
Loans from Samruk-Kazyna	25,162.8	24,315.9	23,509.5
Total Government and Samruk-Kazyna loans	**38,399.3**	**37,552.3**	**36,746.0**

Loans from Government and Samruk-Kazyna increased by KZT 847.0 million, or 2.3%, to KZT 38,399.3 million as at 31 December 2017 from KZT 37,552.3 million as at 31 December 2016, after having increased by KZT 806.3 million, or 2.2%, from KZT 36,746.0 million as at 31 December 2015.

As at 31 December 2017, 31 December 2016 and 31 December 2015, the loans from the Government and Samruk-Kazyna comprised long-term loans granted from the State budget to support certain industries, including textile, gas processing and chemicals.

See Note 25 to 2017 Annual Financial Statements and 2016 Annual Financial Statements.

Government and Samruk-Kazyna Loans by Maturity

The following table sets forth an analysis of DBK's loans from the Government, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	2016	2015
		(KZT millions)	
Six months to one year	4,300.4	—	—
One year to five years	27,467.5	23,721.4	8,901.4
More than five years	6,631.3	13,831.0	27,844.6
Total Government loans	**38,399.3**	**37,552.3**	**36,746.0**

As at 31 December 2017, 17.3% of total loans from the Government had over five years remaining until contractual maturity, as compared to 36.8% and 75.8% of total loans from the Government as at 31 December 2016 and 2015, respectively. The average tenor of loans from the Government, in general, reflects the fact that DBK has been participating in long-term projects. Maturities have shortened since 2014, primarily reflecting the fact that, since the transfer of ownership of DBK from Samruk-Kazyna to Baiterek JSC in 2013, new Government loans have been provided to DBK through Baiterek JSC (as loans from the Parent Company), rather than as direct loans and, accordingly, existing Government loans are reaching maturity without being refinanced.

Loans from Parent Company

DBK provides financing under a number of Government programmes and initiatives, including the Industrialisation Programme and the Infrastructure Development Programme, using funds borrowed from Baiterek JSC.

As at 31 December 2017, loans from Baiterek JSC increased by KZT 55,859.0 million, or 158.8%, to KZT 91,036.3 million from KZT 35,177.3 million as at 31 December 2016, comprised of 12 long-term loans received from Baiterek JSC, after having increased from zero loans as at 31 December 2015. There were zero loans recorded as being received from Baiterek JSC in 2015 as, prior to 1 January 2016, long-term loans received from Baiterek JSC were recategorised as subordinated loans. See Note 27 to the 2016 Annual Financial Statements.

In December 2017, DBK received a KZT 10,000 million loan from Baiterek JSC, which bears interest at a rate of 0.15% *per annum* and is repayable on 10 December 2037. See Note 27 to the 2017 Annual Financial Statements.

Government Grants

As at 31 December 2017, Government grants increased by KZT 67,115.7 million, or 56.7%, to KZT 185,447.8 million from KZT 118,332.1 million as at 31 December 2016, after having increased by KZT 74,033.2 million, or 167.1%, from KZT 44,298.9 million as at 31 December 2015.

As at 31 December 2017, the amount of Government grants recorded comprises the amount of benefits received as a result of the concessional interest rate as compared to the market interest rate, which difference is recognised as income, on the loans received from Baiterek JSC, Baiterek Development JSC and Samruk-Kazyna. Government grants are required to be repaid. See "*Management's Discussion and Analysis of Results of Operation and Financial Condition—Critical Accounting Policies—Government grants*", Note 28 to the 2017 Annual Financial Statements and Note 28 to the 2016 Annual Financial Statements.

Debt Securities

As at 31 December 2017, debt securities issued increased by KZT 71,391.0 million, or 9.8%, to KZT 798,957.5 million from KZT 727,566.5 million as at 31 December 2016, as a result of the issuance of by DBK of KZT 100 billion 9.5% Notes due 2020, in December 2017, after having increased by KZT 154,015.7 million, or 26.9%, from KZT 573,550.8 million as at 31 December 2015.

In December 2017, DBK issued its KZT 100 billion 9.5% Notes due 2020 as Series 7 under the Programme.

Since 1 January 2015, DBK has issued Tenge-denominated bonds outside of the Programme on the following terms:

- in May 2016, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 65.0 billion, which bear interest at a rate of 14.0% per annum and mature on 25 May 2026;
- in June 2016, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 30.0 billion, which bear interest at a rate of 14.0% per annum and mature on 10 June 2019;
- in July 2016, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 15.0 billion, which bear interest at a rate of 15.0% per annum and mature on 28 July 2031;
- in August 2016, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 17.5 billion, which bear interest at a rate of 14.0% per annum and mature on 1 August 2026;
- in August 2016, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 85.0 billion, which bear interest at a rate of 14.0% per annum and matured on 30 June 2017;
- in May 2017, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 20.0 billion, which bear interest at a rate of 10.5% per annum and mature on 31 May 2022;
- in June 2017, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 30.0 billion, which bear interest at a rate of 10.5% per annum and mature on 6 June 2024;
- in August 2017, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 9.2 billion, which bear interest at a rate of 11.25% per annum and mature on 22 August 2032;
- in August 2017, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 9.2 billion, which bear interest at a rate of 11.25% per annum and mature on 23 August 2030; and
- in August 2017, DBK issued Tenge-denominated bonds in an aggregate principal amount of KZT 9.2 billion, which bear interest at a rate of 11.0% per annum and mature on 24 August 2028.

DBK has also conducted a number of repurchase transactions in respect of its Tenge-denominated bonds.

DBK has obtained the approval of the NBK to issue up to KZT 30 billion in further local bond issues. No bonds have been issued pursuant to this approval. On 30 March 2018, the Board of Directors of DBK authorised the issue of KZT 43.4 billion local bonds. As at the date of this Drawdown Prospectus, no such local bonds have been issued.

Subordinated Debt

As at 31 December 2017, subordinated debt issued increased by KZT 5,424.4 million, or 6.2%, to KZT 92,256.0 million from KZT 86,831.6 million as at 31 December 2016, after having increased by KZT 9,283.3 million, or 12.0%, from KZT 77,548.3 million as at 31 December 2015. The KZT 5,424.4 million increase in subordinated debt as at 31 December 2017, as compared to 31 December 2016, was primarily due to an increase in loans received from Baiterek JSC.

Throughout the period under review, subordinated debt has been comprised of subordinated loans payable to Baiterek Development JSC, Baiterek JSC's subsidiary responsible for the sustainable competitive development of Kazakhstan's non-oil sector. As at 31 December 2017, these loans had a nominal value of KZT 15,000.0 million, KZT 50,000.0 million, KZT 70,000 million and KZT 15,000.0 million, respectively, bear interest at a fixed rate of 0.15% *per annum* and mature in 2035 and 2036. See "*Business—Lending*" and Note 30 to the 2017 Annual Financial Statements.

Current accounts and deposits from customers

Current accounts and deposits for customers are also a limited source of funding, accounting for 1.2%, 5.3% and 2.4% of total liabilities as at 31 December 2017, 31 December 2016 and 2015, respectively. See "*—Principal Sources of Funding*".

Total current accounts and deposits from customers decreased by KZT 84,186.3 million, or 76.9%, to KZT 25,282.2 million as at 31 December 2017 from KZT 109,468.5 million as at 31 December 2016, after having increased in 2016 by KZT 67,638.9 million, or 161.7%, from KZT 41,829.6 million as at 31 December 2015.

Total current accounts and deposits from customers decreased in the year ended 31 December 2017 primarily due to the KZT 85,088.8 million, or 87.0%, decrease in term deposits from customers from KZT 97,756.5 million as at 31 December 2016 to KZT 12,667.7 million as at 31 December 2017 as a result of deposit repayments to certain customers, including Baiterek Development JSC, Samruk-Kazyna, Damu Fund JSC and Kazyna Capital Management.

Current Accounts and Deposits from Customers by Type

The following table sets forth a breakdown of DBK's current accounts and deposits from customers, by type, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Term deposits from fellow subsidiaries	12,667.7	50.1	97,756.5	89.3	26,085.5	62.4
Current accounts and demand deposits .	3,621.3	14.3	3,487.5	3.2	7,763.9	18.5
Accounts pledged as collateral.............	8,425.1	33.3	8,102.0	7.4	2,704.6	6.5
Deposits served as collateral on loans to customers...	568.1	2.3	122.5	0.1	5,275.5	12.6
Total current accounts and deposits from customers.................................	**25,282.2**	**100.0**	**109,468.5**	**100.0**	**41,829.6**	**100.0**

Current Accounts and Deposits from Customers by Currency

The following table sets forth a breakdown of DBK's current accounts and deposits from customers, by currency, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
Tenge	3,314.5	13.1	88,181.0	80.6	24,496.5	58.6
U.S. Dollars	21,967.5	86.9	19,598.7	17.9	17,249.8	41.2
Euros	0.2	—	1,688.8	1.5	80.2	0.2
Other currencies	—	—	—	—	3.0	0.0
Total current accounts and deposits from customers	**25,282.2**	**100.0**	**109,468.5**	**100.0**	**41,829.6**	**100.0**

Current Accounts and Deposits from Customers by Maturity

The following table sets forth an analysis of DBK's current accounts and deposits from customers, by maturity, as at 31 December 2017, 2016 and 2015:

	As at 31 December					
	2017		2016		2015	
	(KZT millions)	*(%)*	*(KZT millions)*	*(%)*	*(KZT millions)*	*(%)*
On demand	3,621.3	14.3	3,487.5	3.2	7,763.9	18.6
Less than one month	—	—	—	—	—	—
One month to three months	—	—	—	—	2,126.8	5.1
Three months to one year	2,005.5	7.9	89,292.7	81.6	11,718.5	28.0
One year to five years	115.7	0.5	122.5	0.1	6.770.6	16.2
More than five years	19,539.7	77.3	16,565.8	15.1	13,449.8	32.1
Total current accounts and deposits from customers	**25,282.2**	**100.0**	**109,468.5**	**100.0**	**41,829.6**	**100.0**

As at 31 December 2017, DBK's balance of current accounts and deposits from customers was principally comprised of current accounts and deposits from customers payable on demand and current accounts and deposits from customers with a maturity of more than five years, which accounted for 14.3% and 77.3%, respectively, of total current accounts and deposits from customers.

The increase in current accounts and deposits from customers with a maturity of more than five years as at 31 December 2017 and 31 December 2016, as compared to previous periods, was primarily due to the opening of a number of ten-year deposits by the Investment Fund of Kazakhstan and other state-owned entities in the second half of 2016 and in 2017. Prior to the second half of 2016, the majority of deposits opened by such entities were for durations of one to three years.

Equity and Capital Adequacy Ratios *(replacing the information set out under the caption "Selected Statistical and Other Data—Equity and Capital Adequacy Ratios" beginning on page 74 of the Base Prospectus)*

As at 31 December 2017, DBK had share capital of KZT 398,667.5 million, consisting of 2,106,645 ordinary shares all of which are fully paid.

As at 31 December 2017, DBK's total equity had increased by KZT 36,875.5 million, or 9.9%, to KZT 408,167.2 million, as compared to KZT 371,291.6 million as at 31 December 2016, primarily due to an increase in the revaluation reserve for financial assets available-for-sale, which was, in turn, due to an increase in the fair value of financial assets available for sale held in the Bank's treasury portfolio in the year ended 31 December 2017.

The increase in the share capital was due to the issuance of 625 ordinary shares with a nominal value of KZT 40.0 million each in 2017, reflecting a capital injection in the amount of KZT 25 billion (including KZT 20.0 billion from the Republican State Budget and KZT 5.0 billion from Baiterek JSC).

DBK is not subject to the NBK's rules on capital adequacy ratios. DBK's capital adequacy ratio is calculated as the ratio of DBK's consolidated equity capital to its risk-weighted assets, calculated in accordance with requirements approved by the Resolution of the Government № 250 adopted on 22 April 2015, which corresponds to Basel II principles. As at 31 December 2017, DBK had a Basel II capital adequacy ratio of 18.19%, as compared to 18.10% and 16.96% as at 31 December 2016 and 2015, respectively. DBK had a tier 1 ratio of 14.81% as at 31 December 2017, as compared to 14.34% and 14.96% as at 31 December 2016 and 2015, respectively. DBK believes that it has sufficient capital adequacy to withstand any credit losses, which may reasonably be expected to arise in the foreseeable future.

Return on Average Assets and Return on Average Equity *(supplementing the information set out under the caption "Selected Statistical and Other Data—Return on Average Assets and Return on Average Equity" beginning on page 74 of the Base Prospectus)*

DBK had a positive return on average total assets of 0.19% for the year ended 31 December 2017, as compared to a positive return on average total assets of 0.29% for the year ended 31 December 2016. The decrease in return on average assets was primarily due to a decrease in net profit and a 5% increase in the size of assets in the year ended 31 December 2017, which was, in turn, due to the preservation of the lending rate set in 2017 and, as a result, excess of borrowing over-repayment (during 2017, DBK attracted KZT 302.6 million of borrowings and repaid liabilities in an amount of KZT 342.6 billion).

DBK had a positive return on average equity of 1.22% for the year ended 31 December 2017, as compared to a positive return on average equity of 1.83% for the year ended 31 December 2016. The positive return on average equity for the year ended 31 December 2017 was primarily due to net profit of KZT 4,761 million in the year ended 31 December 2017. The decrease in positive return for the year ended 31 December 2017, as compared to the year ended 31 December 2016, was primarily due to an increase in provisioning for loans to customers, which was, in turn, due to an increased level of impairment on loans to customers during the year ended 31 December 2017, as compared to 2016.

ASSET AND LIABILITY MANAGEMENT

The section headed "Asset and Liability Management" appearing on pages 76 to 82 (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

Principal Committees

Credit Committee *(replacing the table set out under the caption "Asset and Liability Management—Principal Committees—Credit Committee" beginning on page 77 of the Base Prospectus)*

The following table sets forth the members of the Credit Committee as at 31 March 2018:

	Role on the Credit Committee	Other Roles within DBK
Duman Aubakirov	Chairman	Deputy Chairman of the Management Board
Vadim Kim	Member	Deputy Chairman of the Management Board
Olga An	Member	Managing Director
Sandugash Kenzhebayeva	Member	Managing Director
Karlygash Akhmetzanova	Member	Head of the Legal Department

Investment Committee *(replacing the table set out under the caption "Asset and Liability Management—Principal Committees—Investment Committee" beginning on page 77 of the Base Prospectus)*

The following table sets forth the members of the Investment Committee as at 31 March 2018:

	Role on the Investment Committee	Other Roles within DBK
Dmitriy Babichev	Chairman	Deputy Chairman of the Management Board
Botagoz Abisheva	Deputy Chairman	Managing Director
Bakhyt Surapbergenov	Member	Managing Director
Saule Mamekova	Member	Head of Accounting Department
Daurem Madiyev	Member	Head of Legal

Liquidity Risk *(replacing the tables set out under the caption "Asset and Liability Management—Liquidity Risk" beginning on page 78 of the Base Prospectus)*

The following table provides certain information as to DBK's liquidity (on an unconsolidated basis) as at the dates indicated:

	Requirement	As at 31 December 2017	As at 31 December 2016
		(%)	
Total debt[(1)]/equity	Not to exceed 600.0 [(2)]	528.1	559.6
Liquid assets[(3)]/total assets	Not less than 20.0	25.6	28.5

Notes:

(1) Total debt comprises short-term debt plus long-term debt, in turn, comprised of loans from the Government of the Republic of Kazakhstan, loans from the Parent Company, loans from banks and other financial institutions, debt securities issued and subordinated debt.

(2) DBK has been provided with waiver letters from the China Development Bank, disapplying the debt-to-equity covenant contained in DBK's credit facility agreements with China Development Bank for the years 2017 and 2018. "*Selected Statistical and Other Data—Principal Sources of Funding—Debt Securities*".

(3) Liquid assets comprise investments available-for-sale plus cash and cash equivalents and amounts due from banks.

For further information on DBK's management of liquidity risk, see Note 34(d) to the 2017 Annual Financial Statements and Note 35(d) to the 2016 Annual Financial Statements.

In addition, DBK carries out calculations of its liquidity coverage ratio and net stable funding ratio in accordance with the requirements of Basel III. The following table sets forth information in respect of these liquidity ratios as at the dates indicated.

	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
		(%)	
Liquidity coverage ratio[(1)]	115.5	109.2	83.7
Net stable funding ratio[(2)]	129.0	153.3	144.0

Notes:

(1) Calculated as the ratio of highly-liquid assets to net cash outflow less the projected cash inflows over a 30-day stress period.

(2) Calculated as the ratio of longer-term, stable sources of funding employed by DBK to the required amount of stable funding.

Maturities *(supplementing certain information set out under the caption "Asset and Liability Management—Liquidity Risk—Maturities" beginning on page 79 of the Base Prospectus)*

The following table sets forth a breakdown of DBK's assets and liabilities by remaining contractual maturity as at 31 December 2017:

	As at 31 December 2017								
	On demand	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No Maturity	Over-due	Total
					(KZT millions)				
Total assets	359,083.6	197,431.5	40,645.2	240,375.6	362,592.7	1,360,450.8	1,813.9	1,147.8	2,563,541.2
Total liabilities	6,505.6	11,318.9	10,736.4	20,486.0	927,323.9	1,179,003.2	—	—	2,155,374.0
Net position	**352,578.0**	**186,112.7**	**29,908.8**	**219,889.6**	**(564,731.2)**	**181,447.6**	**1,813.9**	**1,147.8**	**408,167.2**

For further information on DBK's management of maturity gaps, see Note 34(e) to the 2017 Annual Financial Statements and Note 35(e) to 2016 Annual Financial Statements.

Interest Rate Risk *(replacing the tables set out under the caption "Asset and Liability Management—Interest Rate Risk" beginning on page 80 of the Base Prospectus)*

The following table sets forth an analysis of the sensitivity of DBK's net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point ("**bp**") symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2017, 2016 and 2015:

	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
KZT'000000	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	4,041.3	4,041.3	2,483.5	2,483.5	1,425.2	1,425.2
100 bp parallel decrease	(4,041.3)	(4,041.3)	(2,483.5)	(2,483.5)	(1,425.2)	(1,425.2)

The following table sets forth an analysis of the sensitivity of DBK's net profit or loss and equity (net of taxes) as a result of changes in the fair value of financial assets available-for-sale due to changes in interest rates (repricing risk), based on positions existing as at 31 December 2017, 2016 and 2015 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves:

	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
KZT'000000	Profit or loss	Equity	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	—	(6,358.4)	—	(15,276.7)	—	(5,435.5)
100 bp parallel decrease	—	6,787.5	—	17,042.6	—	5,864.6

For further information on DBK's management of interest rate risk, see Note 34(b)(i) to the 2017 Annual Financial Statements and Note 35(b)(i) to the 2016 Annual Financial Statements.

Foreign Currency Risk *(replacing the tables set out under the caption "Asset and Liability Management—Foreign Currency Risk" beginning on page 81 of the Base Prospectus)*

For further information on DBK's management of foreign currency risk, see Note 34(b)(ii) to the 2017 Annual Financial Statements and Note 35(b)(ii) to the 2016 Annual Financial Statements.

The following table sets forth a breakdown of DBK's assets and liabilities, by currency, as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	**2016**	**2015**
Assets		*(KZT millions)*	
Foreign currency-denominated assets			
U.S. Dollars	1,197,370.6	1,255,933.8	1,343,866.7
Euros	19,772.8	22,412.4	20,386.4
Other currencies	2,717.5	6,286.3	6,204.6
Tenge-denominated assets	1,290,538.7	1,112,660.5	706,234.1
Liabilities			
Foreign currency-denominated liabilities			
U.S. Dollars	1,333,015.7	1,382,221.1	1,458,942.1
Euros	19,823.6	21,778.9	17,935.7
Other currencies	18,584.6	21,857.7	24,192.1
Tenge-denominated liabilities	785,361.2	647,578.5	270,088.5

DBK is within its open position limits for convertible and non-convertible currencies it has set for the purposes of managing foreign currency risk.

The following table shows the net foreign currency position of DBK as at 31 December 2017, 2016 and 2015:

	As at 31 December		
	2017	**2016**	**2015**
Net long (short) currency position (*KZT millions*)	(27,627.9)	(24,456.5)	(10,663.2)
Net currency position as a percentage of total equity (%)	(6.8)	(6.6)	(3.0)
Net currency position as a percentage of foreign currency liabilities (%)	(2.0)	(1.7)	(0.7)

BUSINESS

The section headed "Business" appearing on pages 83 to 96 (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

Overview *(supplementing certain information set out under the caption "Business—Overview" beginning on page 83 of the Base Prospectus)*

For the year ended 31 December 2017, DBK's profit for the year was KZT 4,761.2 million, as compared to KZT 6,650.5 million for the year ended 31 December 2016 and KZT 5,703.1 million for the year ended 31 December 2015. As at 31 December 2017, DBK had total assets of KZT 2,563,541.2 million, as compared to total assets of KZT 2,449,179.9 million as at 31 December 2016 and KZT 2,128,122.0 million as at 31 December 2015.

Strengths *(supplementing certain information set out under the caption "Business—Strengths" beginning on page 84 of the Base Prospectus)*

DBK believes it benefits from the following strengths:

- **High Capitalisation**

  DBK is relatively well-capitalised with a capital adequacy ratio of 18.2% as at 31 December 2017, as compared to 18.1% and 17.0% as at 31 December 2016 and 2015, respectively. DBK's capital adequacy ratio is calculated as the ratio of DBK's consolidated equity capital to its risk-weighted assets, which is in line with Basel II principles. Baiterek JSC has also indicated that it would provide further support to DBK should it be required in order to meet applicable capital adequacy ratios. This support has permitted DBK to maintain an active role in the lending market. In the year ending 31 December 2017, DBK received capital injections of KZT 25 billion, comprised of KZT 20.0 billion from the Republican State budget and KZT 5.0 billion from Baiterek JSC in December 2017. In December 2017, DBK made capital contributions of corresponding amounts to its subsidiary, DBK Leasing.

- **Strong Liquidity Position**

  As at 31 December 2017, DBK had KZT 648.6 billion in liquid assets (which comprise investments available-for-sale plus cash and cash equivalents, placements with banks and other financial institutions and amounts receivable under reverse repurchase agreements). DBK has adopted a conservative investment portfolio management strategy, which is in line with the Government's requirement that DBK maintain a liquidity coverage ratio of at least 80%. As at 31 December 2017, DBK had a liquidity coverage ratio of 115.5%, as compared to 109.2% as at 31 December 2016 and 83.7% as at 31 December 2015.

- **Growth of the Lending Business**

  DBK's lending business has generally been growing in recent years. Net total loans to customers increased by KZT 101,640.3 million, or 7.3% to KZT 1,492,658.6 million as at 31 December 2017 from KZT 1,391,018.3 million as at 31 December 2016 after having increased in 2016 by KZT 22,792.7 million, or 1.7%, from KZT 1,368,225.6 million as at 31 December 2015. DBK expects its lending business to continue to grow in line with its strategy and pipeline of investment projects. See "*Selected Statistical and Other Data—Loans to Customers*".

Participation in Government Programmes *(supplementing the information set out under the caption "Business—Participation in Government Programmes" beginning on page 87 of the Base Prospectus)*

DBK is involved in the financing of 12 projects under the "Business Road Map 2020" Programme.

The lending rate available for borrowers under the Infrastructure Development Programme ranges from 6% to 11% *per annum*.

Investment Projects *(supplementing the information set out under the caption "Business—Investment Projects" beginning on page 91 of the Base Prospectus)*

Since the date of the Base Prospectus, DBK has entered into the following major investment projects:

- A KZT 86.1 billion mining and metallurgy industry project for the construction of the Karaganda complex alloy plant (Karaganda region);
- A KZT 30.2 billion mining and metallurgy industry project of ferrosilicon in the city of Karaganda with a production capacity of 96,000 tonnes; and
- A KZT 13.2 billion energy sector project for the construction of a photovoltaic power plant in Zhylga with a capacity of 20 MW.

DBK-Leasing *(supplementing certain information set out under the caption "Business—DBK-Leasing" beginning on page 93 of the Base Prospectus)*

Since 2014, DBK-Leasing has approved projects in an aggregate amount, of approximately KZT 212,077 million.

DBK CSF *(supplementing certain information set out under the caption "Business—DBK CSF" beginning on page 94 of the Base Prospectus)*

In respect of the normative documents for DBK Equity Fund, on 3 November 2017, a limited partnership agreement was signed among DBK CSF and KCM and, on 29 December 2017, a share premium contribution agreement was signed between DBK and CSF for the contribution of shares in an amount equivalent to U.S.$97.0 million.

In March 2018, the Consultative Council of DBK Equity Fund agreed to amend the conditions applicable to investments by DBK Equity Fund so that any acquired share in the investing company shall be less than the shareholding of a major shareholder of this company and shall not exceed 49% of the equity of the investing company.

In November 2017, the main terms of the first investment project by DBK Equity Fund and DBK CSF were agreed by the parties, pursuant to which DBK Equity Fund is expected to acquire a 20% share in the capital of the investing company. The terms of the investment project are currently under consideration by DBK's Credit Committee.

Employees *(supplementing the information under the caption "Business—Employees" beginning on page 95 of the Base Prospectus)*

As at 31 December 2017, DBK had 220 full-time employees, as compared to 217 full-time employees as at 31 December 2016 and 219 full-time employees as at 31 December 2015.

Technology *(supplementing the information under the caption "Business—Technology" beginning on page 95 of the Base Prospectus)*

As part of the transition to IFRS 9, in 2018, DBK plans to invest approximately KZT 13.6 million in further development of its existing information systems.

DBK is in the process of developing a new information technology strategy in order to meet DBK's strategic objectives for the coming years.

MANAGEMENT

The section headed "Management" appearing on pages 97 to 103 (inclusive) of the Base Prospectus shall be deemed to be modified and supplemented by the addition of the following information.

Board of Directors *(replacing the table set out under the caption "Management—Board of Directors" beginning on page 97 of the Base Prospectus)*

The members of DBK's Board of Directors are:

Name	Other Positions	Date Appointed	Age	Date of Birth
Aidar Arifkhanov (*Chairman*)..........................	Chairman of the Management Board of Baiterek JSC	16 February 2017	43	28 November 1974
Galymzhan Tajiyakov..........	Member of the Risk Management Committee, member of the Audit Committee, member of the Strategic Planning Committee and member of the Staff, Remuneration and Social Affairs Committee.	16 February 2017	35	19 June 1982
Bolat Zhamishev.................	Chairman of the Management Board of DBK	24 August 2014	60	28 June 1957
Eszhan Birtanov..................	Member of the Risk Management Committee, member of the Audit Committee, member of the Strategic Planning Committee and member of the Staff, Remuneration and Social Affairs Committee.	31 January 2018	42	1 July 1975
Marcia Favale (*independent director*)..........	Chair of the Audit Committee, chair of the Strategic Planning Committee, member of the Risk Management Committee and member of the Staff, Remuneration and Social Affairs Committee.	26 January 2015	48	17 October 1969
Antonio Somma (*independent director*)..........	Chairman of the Risk Management Committee, member of the Audit Committee, member of the Strategic Planning Committee and member of the Staff, Remuneration and Social Affairs Committee.	2 December 2016	48	7 July 1969
Zhanat Alimanov (*independent director*)..........	Chairman of the Staff, Remuneration and Social Affairs Committee, member of the Risk Management Committee, member of the Audit Committee and member of the Strategic Planning Committee.	4 June 2013	40	24 June 1977

Eszhan Birtanov graduated from Kazakhstan National University with a Masters in Economics in 1999. Between 1999 and 2002, Mr. Birtanov studied jurisprudence at Turan University and, in 2015, he graduated from the Moscow State University Executive Management Programme. He began his career in 1998 at the Dealing Operations Office of the External Market of the Division for Dealing Operations and Financial Market at the NBK. Between 2005 and 2012, Mr. Birtanov served as Deputy Director of the Monetary Operations Department of the NBK. From 2012 to 2014, he served as Chief Executive Officer of the Executive Board of National Investment Corporation of the National Bank JSC. In 2014, Mr. Birtanov acted as adviser to the Governor of the NBK. Between 2014 and 2015, he was a member of the Board of Directors of the NBK. Between 2015 and 2016, Mr. Birtanov served as Chairman of the Board of Directors of Kazakhstan Stock Exchange JSC. Between 2016 and 2017, he served as Chairman of the Board of Directors of the National Investment

Corporation of the NBK. Mr. Birtanov was appointed Managing Director of Baiterek JSC and as a member of the Board of Directors of DBK in January 2018.

Management Board *(replacing the table set out under the caption "Management—Management Board" beginning on page 99 of the Base Prospectus)*

The members of the Management Board are:

Name	Positions	Date Appointed	Age	Date of Birth
Bolat Zhamishev	Chairman	9 August 2014	60	28 June 1957
Vadim Kim	Deputy Chairman, Managing Director, Director of the Credit Risks Department, Managing Director	20 May 2016	30	15 April 1988
Dmitry Babichev..................	Deputy Chairman	29 March 2016	36	13 September 1981
Duman Aubakirov................	Deputy Chairman, Managing Director	31 March 2017	37	6 January 1981
Askar Amirtayev	Managing Director – Management Board member	26 October 2015	34	29 September 1983

Corporate Governance *(modifying the information set out under the caption "Management—Corporate Governance" beginning on page 101 of the Base Prospectus)*

DBK's Code of Corporate Governance, which was approved by Baiterek JSC, as sole shareholder, on 20 December 2017, is constructed upon the following principles:

- protection of the rights and interests of the sole shareholder;
- efficient management of DBK by the Board of Directors and the Management Board (as the executive body);
- division of powers;
- sustainable development;
- transparency and fair disclosure of information;
- risk management, compliance control and internal audit; and
- regulation of corporate conflicts.

Three members of the Board of Directors are independent directors, which is greater than the minimum proportion of independent directors required by the JSC Law. These directors are appointed by Baiterek JSC, the sole shareholder of DBK.

In addition to the establishment of the committees of the Board of Directors as described below, the Service of the Corporate Secretary of the Board of Directors, the Compliance Control Service and the Ombudsman of DBK have been established by DBK to assist the Board of Directors in ensuring DBK's compliance with corporate governance policies. The Service of the Corporate Secretary was established to assist the Board of Directors in performing its duties and to protect the rights and interests of the sole shareholder. The Compliance Control Service was established to ensure the effective management of compliance risks and has the exclusive right to exercise internal control over the compliance of DBK with the legislation of Kazakhstan, including regulations of the NBK and the internal regulations and procedures of DBK. The Ombudsman of DBK was established to comply with the principles of business ethics and to ensure the optimal regulation of any social and labour disputes arising at DBK.

Board Committees

Audit Committee *(modifying the information set out under the caption "Management—Board Committees—Audit Committee" beginning on page 101 of the Base Prospectus)*

The members of the Audit Committee are Mr. Alimanov, Mr. Birtanov, Mr. Tajiyakov, Ms. Favale (Chairman) and Mr. Somma.

Risk Management Committee *(modifying the information set out under the caption "Management—Board Committees—Risk Management Committee" beginning on page 101 of the Base Prospectus)*

The members of the Risk Management Committee are Mr. Alimanov, Mr. Birtanov, Ms. Favale, Mr. Somma (Chairman) and Mr. Tajiyakov. See also "*Asset and Liability Management*".

Staff, Remuneration and Social Affairs Committee *(modifying the information set out under the caption "Management—Board Committees—Staff, Remuneration and Social Affairs Committee" beginning on page 101 of the Base Prospectus)*

The members of the Staff, Remuneration and Social Affairs Committee are Mr. Alimanov (Chairman), Mr. Birtanov, Mr. Tajiyakov, Ms. Favale and Mr. Somma.

Strategic Planning Committee *(modifying the information set out under the caption "Management—Board Committees—Strategic Planning Committee" beginning on page 102 of the Base Prospectus)*

The members of the Strategic Planning Committee are Mr. Alimanov, Mr. Birtanov, Ms. Favale (Chairman), Mr. Somma and Mr. Tajiyakov.

Internal Audit Service *(modifying the information set out under the caption "Management—Internal Audit Service" beginning on page 102 of the Base Prospectus)*

An external audit of the Internal Audit Service is generally performed every several years, with the last such audit completed in 2018.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes, including for the funding of various investment and export projects, trade finance activities and for the refinancing of existing debt.

SHARE CAPITAL, SOLE SHAREHOLDER AND RELATED PARTY TRANSACTIONS

The section headed "Share Capital, Sole Shareholder and Related Party Transactions" appearing on pages 104 to 105 (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

Share Capital *(modifying certain information set out under the caption "Share Capital, Sole Shareholder and Related Party Transactions—Share Capital" beginning on page 104 of the Base Prospectus)*

As at 31 December 2017, DBK's outstanding share capital consisted of: 2,106,645 ordinary shares, as follows:

- 1,819,519 ordinary shares with a nominal value of KZT 50,000 per share;
- 250,000 ordinary shares with a nominal value of KZT 668,000 per share;
- 30,000 ordinary shares with a nominal value of KZT 1,000,000 per share;
- 5,000 ordinary shares with a nominal value of KZT 5,000,000 per share;
- 1,000 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 625 ordinary shares with a nominal value of KZT 40,000,000 per share;
- 500 ordinary shares with a nominal value of KZT 40,000,000 per share; and
- one ordinary share with a nominal value of KZT 691,560,619,

all of which were issued and fully paid. Each ordinary share carries one vote. Baiterek JSC is the sole shareholder of DBK's outstanding ordinary shares. See "*Selected Statistical and Other Data—Equity and Capital Adequacy Ratios*".

Related Party Transactions *(replacing the information set out under the caption "Share Capital, Sole Shareholder and Related Party Transactions—Related Party Transactions" beginning on page 104 of the Base Prospectus)*

Transactions with the Board of Directors and Management Board

For the year ended 31 December 2017, the total remuneration of members of the Board of Directors and the Management Board, including payroll and related taxes, was KZT 613.3 million, as compared to KZT 500.1 million for the year ended 31 December 2016 and KZT 113.8 million for the year ended 31 December 2015. Such amounts include non-cash benefits granted to members of the Board of Directors and the Management Board, as the case may be. During the year ended 31 December 2017, DBK wrote-off accrued bonuses of KZT 11.5 million accrued to the Management Board and the Board of Directors. During the year ended 31 December 2016, DBK wrote-off accrued bonuses of KZT 12.6 million accrued to the Management Board and the Board of Directors.

Transactions with other Related Parties

DBK also enters into certain transactions with Baiterek JSC and other State and national companies and organisations, which are deemed to be related parties to DBK. See Note 38 to the 2017 Annual Financial Statements.

Loans from Baiterek JSC, Samruk-Kazyna and Government grants comprise significant sources of DBK's funding. See "*Selected Statistical and Other Data—Principal Sources of Funding*". In addition, DBK extends financing to state-owned companies, other subsidiaries of Samruk-Kazyna and other organisations (other than Samruk-Kazyna). DBK extended an amount of KZT 723.5 billion in loans to state-owned companies and other organisations at an average interest rate of 6.4% as at 31 December 2017.

TAXATION

The section headed "Taxation" appearing on pages 143 to 150 (inclusive) of the Base Prospectus shall be deemed to be supplemented by the addition of the following information.

Tax/Book Conformity for Certain U.S. Holders *(adding the following subsection after "United States Federal Income Taxation—U.S. Holders— Election to Treat All Interest as Original Issue Discount" beginning on page 145 of the Base Prospectus)*

As a result of the Tax Cuts and Jobs Act of 2017, U.S. Holders that use an accrual method of accounting for tax purposes ("**accrual method holders**") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "**book/tax conformity rule**"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described in the prospectus supplement, although it is not clear to what types of income the book/tax conformity rule applies. This rule generally is effective for tax years beginning after 31 December 2017 or, for notes issued with original issue discount, for tax years beginning after 31 December 2018. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

The book/tax conformity rule applies to OID in some cases, and therefore may require accrual method holders to include OID on OID notes in a more accelerated manner than described in "*—Original Issue Discount*" if they do so for financial accounting purposes. It is uncertain what adjustments, if any, should be made in later accrual periods when taxable income exceeds income reflected on the U.S. Holder's financial statements to reflect the accelerated accrual of income in earlier periods. In addition, it is possible, although less likely, that accrual method holders may be required to include *de minimis* OID in gross income as the *de minimis* OID accrues on their financial statements.

U.S. Backup Withholding and Information Reporting *(replacing the first sentence of the first paragraph under the caption "United States Federal Income Taxation—U.S. Backup Withholding and Information Reporting" beginning on page 148 of the Base Prospectus)*

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest and accruals of OID on, an obligation and to proceeds of the sale or redemption of an obligation, to certain non-corporate holders of Notes that are U.S. persons.

(replacing the last sentence of the first paragraph under the caption "United States Federal Income Taxation—U.S. Backup Withholding and Information Reporting" beginning on page 148 of the Base Prospectus)

The backup withholding tax rate is currently 24%.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Series 8 Notes shall comprise the "*Terms and Conditions of the Notes*" (the "**Conditions**") set out on pages 110 to 131 of the Base Prospectus which are incorporated by reference herein, as modified and completed by (i) the modifications outlined in the section of this Drawdown Prospectus entitled "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*" (the "**Amendments to the Conditions**") and (ii) the issue terms of the Notes set out in the "*Issue Terms of the Notes*" section of this Drawdown Prospectus (the "**Issue Terms of the Notes**" and, together with the Amendments to the Conditions, the "**Series 8 Terms and Conditions**").

All references in this Drawdown Prospectus or in the Base Prospectus incorporated by reference herein to "**Conditions**" or to a numbered "**Condition**" shall be to the Conditions or the relevant numbered Condition, respectively, as modified and completed by the Series 8 Terms and Conditions). References in the Conditions, this Drawdown Prospectus and the Base Prospectus to "**Final Terms**" shall be to the Issue Terms of the Notes.

AMENDMENTS TO THE TERMS AND CONDITIONS OF THE NOTES WITH RESPECT TO THE SERIES 8 NOTES

With respect to the Series 8 Notes only, the Conditions appearing on pages 110 to 131 (inclusive) of the Base Prospectus will be amended as follows:

Condition 2.1. shall be deemed to be supplemented to include the following additional definitions:

"**Average Representative Market Rate**" shall mean the arithmetic mean of the Representative Market Rates for the last five FX Business Days immediately before (and including) the applicable Rate Calculation Date. In the event that the Calculation Agent is unable to make this calculation due to the unavailability of Representative Market Rates necessary for the calculation, then the Calculation Agent shall take the arithmetic mean of the NBK Rate for the last five days that such NBK Rate was published.

"**Calculation Business Day**" shall mean an FX Business Day used to determine the Average Representative Market Rate.

"**FX Business Day**" shall mean, solely for the purposes of determining the Representative Market Rate, a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for business in Astana, Kazakhstan.

"**Rate Calculation Date**" shall mean the third FX Business Day preceding each Interest Payment Date, the Maturity Date or any other date on which principal or interest becomes payable under these Conditions.

"**Representative Market Rate**" shall mean, with respect to any Calculation Business Day, the Tenge / U.S. Dollar daily official (market) foreign exchange rate for the previous FX Business Day, expressed as the amount of Tenge per one U.S. Dollar and as reported by the National Bank of Kazakhstan (the "**NBK**") and published on its website (http://www.nationalbank.kz/?docid=362&switch=english or any successor page thereto) (the "**NBK Rate**"), as determined by the Calculation Agent. In the event that the NBK Rate is unavailable for any Calculation Business Day, then the Calculation Agent shall determine the Representative Market Rate by polling the Reference Banks on the immediately following FX Business Day for the Tenge / U.S. Dollar exchange rate at noon Astana time on such Calculation Business Day for the professional market and taking the arithmetic mean of the polled exchange rates, provided that at least two quotations are obtained (the "**Reference Rate**").

"**Tenge**" means the lawful currency for the time being of the Republic of Kazakhstan.

Definitions of the "Calculation Agent" and the "Reference Banks" shall be deleted from Condition 2.1 in their entirety and replaced with the following:

"**Calculation Agent**" shall mean Citibank N.A., London Branch or any successor thereof.

"**Reference Banks**" shall mean ForteBank JSC, JSC Halyk Bank, "Tsesna Bank" JSC, JSC VTB Bank (Kazakhstan) and JSC Kazkommertsbank or their legal successors.

Condition 11 shall be deleted in its entirety and replaced with the following:

11. **PAYMENTS**

11.1. Payments of principal shall be made in U.S. Dollars and in the amounts calculated in accordance with Condition 11.3, only against surrender of Notes at the Specified Office of any Transfer Agent or of the Registrar by U.S. Dollar cheque drawn on, or by transfer to U.S. Dollar account maintained by the payee with a bank.

11.2. Payments of interest shall, subject to Condition 11.5, be made to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in U.S. Dollars and in the amounts calculated in accordance with Condition 11.3, by (i) transfer to U.S. Dollar account maintained by the payee with a bank or (ii) U.S. Dollar cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post.

11.3. Amounts of interest and principal due in respect of the Notes will be calculated by the Calculation Agent for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date. The Calculation Agent will, on each Rate Calculation Date, notify the Issuer, the Trustee and the Paying Agents of the amounts of interest and principal (stated in both Tenge and U.S. Dollars) payable on any Interest Payment Date, the Maturity Date or any other date on which principal or interest becomes payable under these Conditions, as applicable, as well as the applicable Average Representative Market Rate.

11.4. All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.5. If the due date for payment of any amount in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

11.6. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents and the Noteholders and no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

Condition 10.2 shall be deleted in its entirety and replaced with the following:

10.2. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 19 (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Issuer satisfies the Trustee immediately before the giving of notice that:

(i) it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of any change in, or amendment to, the laws or regulations of Kazakhstan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion without further investigation or enquiry and without liability to any person. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.2.

AMENDMENTS TO "*SUMMARY OF THE PROVISIONS RELATING TO NOTES IN GLOBAL FORM*" IN THE BASE PROSPECTUS WITH RESPECT TO THE SERIES 8 NOTES

With respect to the Series 8 Notes only, the section headed "*Summary of the Provisions Relating to Notes in Global Form*" appearing on pages 137 to 142 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following.

SUMMARY OF THE PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

The Notes will be evidenced on issue by, in the case of Regulation S Notes, a Regulation S Global Note and, in the case of Rule 144A Notes, a Rule 144A Global Note, each deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*—Book Entry Ownership*". By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person and that, prior to the expiration of 40 days after completion of the distribution of the Notes as determined and certified to the Principal Paying and Transfer Agent by the relevant Dealer (the "**distribution compliance period**"), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes to be a non U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See "*Transfer Restrictions*". Beneficial interests in a Rule 144A Global Note may only be held through Euroclear or Clearstream, Luxembourg at any time at any time. See *"— Book Entry Ownership*". By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that if it is a U.S. person, it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only in accordance with the procedures and restrictions contained in the Agency Agreement. See "*Transfer Restrictions*".

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and, with respect to a Rule 144A Global Note, as set forth in Rule 144A, and the Rule 144A Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*".

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in that Regulation S Global Note and become an interest in the corresponding Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in that Rule 144A Global Note and become an interest in that Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

- *Payments*. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made against presentation for endorsement by the Principal Paying and Transfer Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note to or to the order of the Principal Paying and Transfer Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes.

- *Record Date*. Condition 11.2, which defines "Record Date", shall be amended in relation to Global Notes to the effect that Record Date shall mean the close of business on the Payment Business Date immediately preceding the relevant Interest Payment Date.

- *Notices*. So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes provided that for so long as the Notes are listed on the Regulated Market and the rules of the Regulated Market so require, notices will also be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times).

- *Meetings*. The holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of Notes for which the relevant Global Note may be exchangeable.

- *Trustee's Powers*. In considering the interests of Noteholders while the relevant Global Note is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note and may consider such interests as if such accountholders were the holders of such Global Note.

- *Cancellation*. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

- *Redemption for Taxation Reasons*: The option of the Issuer provided for in Condition 10.2 shall be exercised by the Issuer giving notice to the Noteholders and the relevant clearing systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the relevant Condition.

- *Redemption at the Option of Noteholders*: The option of Noteholders provided for in Condition 10.6 may be exercised by the holder of the relevant Global Note (i) giving notice to the Issuer within the time limits relating to the deposit of Notes set out in the Conditions substantially in the form of the notice available from any Paying Agent, the Registrar or any Transfer Agent (except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised) stating the nominal amount of Notes in respect of which the option is exercised and (ii) at the same time depositing the relevant Global Note with the Registrar or any Transfer Agent at its specified office.

Exchange for Definitive Notes

Exchange

Registration of title to Notes initially represented by a Regulation S Global Note or Rule 144A Global Note in a name other than the nominee of a common depositary for Euroclear and Clearstream, Luxembourg will only be permitted if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or following the failure to pay principal in respect of any Note at maturity or upon acceleration of any Note and the Registrar has received a notice from the registered holder (*i.e.,* the nominee of the common depositary) of the relevant Regulation S Global Note or Rule 144A Global Note requesting an exchange of the Regulation S Global Note or the Rule 144A Global Note for Definitive Notes.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Note, as provided in the Paying Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes will have an ISIN and a Common Code. The Rule 144A Global Note representing Rule 144A Notes will have an ISIN and a Common Code. Each Global Note will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will, in turn, be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Redenomination

If the Notes are redenominated pursuant to Condition 22, then following redenomination:

- if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in denominations in excess of €100,000 as determined by the Principal Paying and Transfer Agent and such other denominations as the Principal Paying and Transfer Agent shall determine and notify to the Noteholders; and

- the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest €0.01.

AMENDMENTS TO "*FORM OF THE NOTES*", "*TRANSFER OF INTERESTS*" AND "*GENERAL*" IN THE BASE PROSPECTUS WITH RESPECT TO THE SERIES 8 NOTES.

With respect to the Series 8 Notes only, the sections headed "*Form of the Notes*", "*Transfer of Interests*" and "*General*" appearing on page 153 of the Base Prospectus shall be deemed to be deleted in their entirety and replaced with the following.

FORM OF THE NOTES

The Notes will be in registered form, without interest coupons attached. The Notes will be issued either outside the United States in reliance on Regulation S or both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

The Regulation S Notes will initially be represented by a Regulation S Global Note. Prior to expiry of the distribution compliance period (as defined in "*Summary of the Provisions Relating to the Notes in Global Form*"), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 4 (*Transfers of Notes*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Notes may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs that are also QPs. The Rule 144A Notes will initially be represented by a Rule 144A Global Note.

Global Notes will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Notes shall, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 11 (*Payments*)) as the registered holder of the Global Notes. None of DBK, any Principal Paying and Transfer Agent, the Trustee or the Registrar shall have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form shall, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 11 (*Payments*)) immediately preceding the due date for payment in the manner provided in that Condition.

TRANSFER OF INTERESTS

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Notes are also subject to the restrictions on transfer set forth herein and will bear a legend regarding such restrictions. See "*Transfer Restrictions*".

GENERAL

Pursuant to the Agency Agreement (as defined in "*Terms and Conditions of the Notes*"), the Principal Paying and Transfer Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with the Series 8 Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to the Series 8 Notes until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 13 (*Events of Default*).

ISSUE TERMS OF THE NOTES

PART A — CONTRACTUAL TERMS	
1. Issuer:	JSC Development Bank of Kazakhstan
2. Series Number:	8
3. Specified Currency or Currencies:	Kazakhstan tenge ("**KZT**" or "**Tenge**")
4. Aggregate Nominal Amount of Notes:	KZT 100,000,000,000
5. Issue Price:	98.82% of the Aggregate Nominal Amount, payable in U.S. Dollars based on an exchange rate for the conversion of Tenge into U.S. Dollars of KZT 326.28 = U.S.$1.00, which is the Tenge / U.S. Dollar daily official (market) foreign exchange rate as at 26 April 2018, as reported by the NBK and published on its website (http://www.nationalbank.kz/?docid=362&switch=english)
6. Specified Denomination(s):	KZT 50,000,000 and integral multiples of KZT 250,000 in excess thereof.
7. (i) Issue Date:	4 May 2018
(ii) Interest Commencement Date:	4 May 2018
8. Maturity Date:	4 May 2023
9. Interest Basis:	8.95% Fixed Rate (further particulars specified below at paragraph 13)
10. Redemption/Payment Basis:	Redemption at par
11. Put/Call Options:	Not applicable (except as specified in Condition 10.2 and Condition 10.6)
12. Date of Board approval for issuance of Notes obtained:	30 March 2018
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE	
13. Fixed Rate Note Provisions:	Applicable
(i) Rate of Interest:	8.95% *per annum* payable in U.S. Dollars semi-annually in arrear (subject to further particulars specified below at paragraph 20)
(ii) Interest Payment Date(s):	4 May and 4 November in each year, commencing 4 November 2018
(iii) Fixed Coupon Amount:	KZT 11,187.5 per KZT 250,000 payable in U.S. Dollars (subject to further particulars specified below at paragraph 20)
(iv) Broken Amount(s):	Not Applicable

(v) Day Count Fraction:	30/360
(vi) Determination Date(s):	Not Applicable
14. Floating Rate Note Provisions:	Not Applicable
15. Zero Coupon Note Provisions:	Not Applicable
PROVISIONS RELATING TO REDEMPTION	
16. Call Option:	Not Applicable (except as specified in Condition 10.2)
17. Put Options:	Not Applicable (except as specified in Condition 10.6)
18. Final Redemption Amount of each Note:	Redemption at Par, payable in U.S. Dollars (subject to further particulars specified below at paragraph 20)
19. Early Redemption Amount:	
Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	Redemption at Par, payable in U.S. Dollars (subject to further particulars specified below at paragraph 20)
PROVISIONS RELATING TO CONVERSION OF PAYMENT AMOUNTS	
20. Conversion of Payment Amounts	All amounts of interest, principal and other amounts in respect of the Notes will be calculated by the Calculation Agent (as defined in the Conditions) for payment in U.S. Dollars by dividing the relevant Tenge amounts by the Average Representative Market Rate on the applicable Rate Calculation Date (each as defined in the Conditions). See "*Amendments to the Terms and Conditions of the Notes with respect to the Series 8 Notes*" in the drawdown prospectus dated 2 May 2018 prepared in connection with the Notes.
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
21. Form of Notes:	Registered Global Notes exchangeable for Definitive Notes in the limited circumstances specified in the Global Note.
22. Principal Financial Centre(s):	New York
23. Additional Financial Centre(s):	London
PART B — OTHER INFORMATION **1. LISTING**	
(i) Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange and the "Bonds" category of the "Debt securities" sector of the "Main" platform of the Kazakhstan Stock Exchange with effect from 4 May 2018.

(ii) Estimate of total expenses related to admission to trading:	Approximately £4,500 for admission to trading on the Regulated Market of the London Stock Exchange and approximately KZT 24,000,000 for admission to trading on the “Bonds” category of the “Debt securities” sector of the “Main” platform of the Kazakhstan Stock Exchange.
2. RATINGS	
Ratings:	The Notes to be issued have been rated: Moody’s: Baa3 Fitch: BBB-

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in “*Subscription and Sale*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

YIELD	
Indication of yield:	9.25% The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. As the Notes are denominated in Tenge, while interest, principal and other amounts are payable in U.S. Dollars, the total yield, stated in percentage terms, on an investment in the Notes will be affected by fluctuations in the exchange rate between the Tenge and the U.S. Dollar and may not be the same when calculated in U.S. Dollars as when calculated in Tenge.
5. OPERATIONAL INFORMATION	
ISIN Code (Regulation S Notes): ISIN Code (Rule 144A Notes):	XS1814831563 XS1814863335
Common Code (Regulation S Notes): Common Code (Rule 144A Notes):	181483156 181486333
CFI (Regulation S Notes) CFI (Rule 144A Notes)	DTFXFR DTFXFR
Any clearing system(s) other than Euroclear Bank SA/NV or Clearstream Banking SA and the relevant identification number(s):	Not Applicable
Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
Stabilising Manager:	Société Générale
Calculation Agent:	Citibank N.A., London Branch

GENERAL INFORMATION

(1) This Drawdown Prospectus has been approved by the FCA in its capacity as UK Listing Authority. Application has been made for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC.

(2) The Issuer will use its reasonable endeavours to cause the Notes to be admitted to the "Bonds" category of the "Debt securities" sector of the "Main" platform of the KASE as from (and including) the date of issue of the Notes.

(3) Copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying and Transfer Agent namely:

(a) the Agency Agreement and the Supplemental Agency Agreement with respect to the Series 8 Notes dated 4 May 2018 between the Issuer, the Calculation Agent, the Trustee and the Principal Paying and Transfer Agent;

(b) the Trust Deed and the Supplemental Trust Deed with respect to the Series 8 Notes dated 4 May 2018 between the Issuer and the Trustee; and

(c) a copy of this Drawdown Prospectus and the Base Prospectus.

(4) Since 31 December 2017, there has been no material adverse change in the prospects of the Issuer and any of its subsidiaries, taken as a whole, nor has there been any significant change in the financial or trading position of the Issuer and any of its subsidiaries, taken as a whole.

(5) The Issuer has obtained or will obtain from time-to-time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and, in particular, a specific authorisation by the Issuer's Board of Directors.

(6) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

(7) The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes, including for the funding of various investment and export projects, trade finance activities and for the refinancing of existing debt.

(8) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), during the 12 months preceding the date of this Drawdown Prospectus, which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or of the Issuer and any of its subsidiaries, taken as a whole.

(9) Neither the Issuer nor any of its subsidiaries has entered into any material contracts outside the ordinary course of its business, which could result in the Issuer being under an obligation or entitlement that is material to their ability to make payments under the Notes.

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Consolidated Financial Statements

for the year ended

31 December 2017

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Independent Auditors' Report

To the Board of Directors of Development Bank of Kazakhstan JSC

Opinion

We have audited the consolidated financial statements of Development Bank of Kazakhstan JSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans to customers	
Please refer to the Notes 3 (h(i)) and 16 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The impairment of loans to customers is estimated by management through the application of judgment and use of highly subjective assumptions. Due to the significance of loans to customers (representing 58% of total assets) and the related estimation uncertainty, this is considered a key audit risk. We paid particular attention to the assumptions and methodology used for the calculation of impairment allowance for loans to customers with individual signs of impairment. We also focused on methodology used to calculate the collective impairment allowance for loans to customers without individual signs of impairment. An assessment is performed based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience adjusted for current environment for portfolios of loans for which no individual signs of impairment has been identified.	Our audit procedures included assessing the design of key controls over the impairment provisioning process, evaluating and testing the methodologies, inputs and assumptions used by the Group in determining the adequacy of impairment allowances for loans with individual signs of impairment based on forecasted recoverable cash flows and calculating impairment for collectively assessed loans. We compared the Group's assumptions for loans both assessed on an individual and collective basis to externally available industry, financial and economic data. We challenged the appropriateness of the key assumptions used for collective impairment against our understanding of the Group and its recent performance. This involved recalculation of provisioning rates based on the Group's actual historic experience. For loans that were subject to individual impairment assessment we specifically challenged the Group's assumptions on the expected future cash flows with specific focus on loans with the most significant potential impact on the consolidated financial statements. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.

Impairment of loans to banks	
Please refer to the Notes 3 (h(i)) and 15 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The impairment of loans to banks and placements with banks and other financial institutions is estimated by the management through the application of	Our audit procedures in this area included evaluating and testing the methodologies, inputs and assumptions used by the Group in determining the adequacy of

judgment and use of highly subjective assumptions. Due to indications of increased credit risk related to lending to banks operating on the territory of the Republic of Kazakhstan, this is considered a key audit risk. In particular, as of 31 December 2017 the Bank had exposures to three banks, experiencing financial difficulties to the total amount of KZT 26,459,225 thousand, in relation to which the Bank recognized an impairment allowance of KZT 23,339,650 thousand. We paid particular attention to the assumptions and methodology used for the calculation of impairment allowance for loans to banks.	individual impairment allowances for exposures to banks. We challenged the appropriateness of the key assumptions used for identification of individually impaired exposures. This involved analysis of changes in the Group counterparties' credit ratings as well as other observable market information. We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.

Government grants

Please refer to the Notes 3 (i) and 28 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During 2017 the Group received loans from the Parent Company in the amount of KZT 126,100,000 thousand, that bore an interest rates ranging from 0.08% p.a. to 0.15% p.a. At initial recognition these loans were recognised at fair values measured by applying estimates of relevant market interest rates to discount the contractual future cash flows. The difference between the fair value and the consideration received of KZT 98,159,215 thousand was recognised as a government grant, which is subsequently amortised. We focused on the estimate of the fair value of the loans received due to significant judgment involved arriving at the estimate.	Our audit procedures included assessing whether the difference between the fair value of the loan and consideration received represent government grant. We compared management's estimates of market rates applied to calculate fair values of the loans received at below-market rates with available market information. We assessed the appropriateness of methods used to amortise government grants in profit or loss. We also assessed whether the financial statement disclosures appropriately reflect the information relation to government grants recognised in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for 2017 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group for 2017 is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the (Consolidated) Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000053 of 6 January 2012

KPMG Audit LLC

State Licence to conduct audit No.0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

28 February 2018

	Note	2017 '000 KZT	2016 '000 KZT
Interest income	4	159,932,049	137,019,983
Interest expense	4	(112,628,510)	(101,083,462)
Net interest income		**47,303,539**	**35,936,521**
Fee and commission income	5	739,906	516,533
Fee and commission expense	6	(972,938)	(305,493)
Net fee and commission (expense)/income		**(233,032)**	**211,040**
Net foreign exchange (loss)/gain	7	(257,727)	4,771,843
Net realised gain on available-for-sale financial assets		1,937,316	2,903,975
Net loss on derivative financial instruments	8	(5,398,519)	(2,827,839)
Loss on repurchase of debt securities issued		-	(473,213)
Other income/(expense), net	9	3,299,906	(1,579,271)
Operating income		**46,651,483**	**38,943,056**
Impairment losses	10	(35,036,188)	(25,985,362)
General administrative expenses	11	(5,876,166)	(6,078,118)
Profit before income tax		**5,739,129**	**6,879,576**
Income tax expense	12	(977,903)	(229,033)
Profit for the year		**4,761,226**	**6,650,543**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial assets		15,036,335	(642,988)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		(1,937,316)	(2,993,731)
Amortisation of revaluation reserve for available-for-sale financial assets which were reclassified to loans to customers		(2,016,907)	(1,591,261)
Net unrealised gain/(loss) on hedging instruments, net of tax		6,673	(3,410,219)
Other comprehensive income/(loss) for the year		**11,088,785**	**(8,638,199)**
Total comprehensive income/(loss) for the year		**15,850,011**	**(1,987,656)**
Earnings per share			
Basic and diluted earnings per share (KZT)	33 (c)	2,261	3,159

The consolidated financial statements as set out on pages 9 to 104 were approved by the Management Board of the Bank on 28 February 2018 and were signed on its behalf by:

Bolat Bidakhmetovich Zhamishev
Chairman of the Management Board

Saule Mamyrovna Mamekova
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

	Note	2017 '000 KZT	2016 '000 KZT
ASSETS			
Cash and cash equivalents	13	452,595,842	208,793,845
Placements with banks and other financial institutions	14	74,218,324	135,273,231
Loans to banks	15	67,999,981	212,912,815
Loans to customers	16	1,492,658,569	1,391,018,303
Finance lease receivables	17	96,293,765	44,103,960
Available-for-sale financial assets	18	165,997,497	275,656,267
Held-to-maturity investments	19	5,381,556	5,013,296
Advances paid under finance lease agreements	20	75,855,651	39,989,005
Assets to be transferred under finance lease agreements	21	2,404,233	3,149,889
Property, plant and equipment and intangible assets		570,521	437,459
Other assets	22	71,968,707	73,325,894
Current tax asset		2,243,028	1,048,373
Derivative financial instruments	23	55,353,504	58,457,518
Total assets		**2,563,541,178**	**2,449,179,855**
LIABILITIES			
Current accounts and deposits from customers	24	25,282,229	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna" JSC	25	38,399,262	37,552,342
Loans and deposits from banks and other financial institutions	26	877,251,200	918,065,433
Loans from the Parent Company	27	91,036,314	35,177,297
Government grants	28	185,447,772	118,332,087
Debt securities issued	29	798,957,535	727,566,505
Subordinated debt	30	92,256,002	86,831,581
Other liabilities	31	33,378,240	22,425,870
Deferred tax liabilities	32	13,365,470	14,073,907
Derivative financial instruments	23	-	8,394,731
Total liabilities		**2,155,374,024**	**2,077,888,223**
EQUITY			
Share capital	33 (a)	398,667,511	373,667,511
Reserve capital		-	17,712,311
Hedging reserve		-	(6,673)
Revaluation reserve for available-for-sale financial assets reclassified to loans to customers		914,412	2,931,319
Revaluation reserve for available-for-sale financial assets		(3,029,141)	(16,128,160)
Additional paid-in capital		28,423,220	28,423,220
Accumulated losses		(16,808,848)	(35,307,896)
Total equity		**408,167,154**	**371,291,632**
Total liabilities and equity		**2,563,541,178**	**2,449,179,855**
Commitments and contingencies	36, 37		

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

	2017 '000 KZT	2016 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	136,838,978	118,056,066
Interest payments	(90,908,475)	(72,850,255)
Fee and commission receipts	1,043,152	1,441,461
Fee and commission payments	(2,689,349)	(259,792)
Net receipts from foreign exchange	681,024	197,262
Net payments from derivative financial instruments	(184,265)	(193,209)
Other income receipts	2,591,931	4,711,643
General administrative payments	(5,720,107)	(5,891,961)
	41,652,889	**45,211,215**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	43,530,945	(72,026,715)
Loans to banks	143,689,960	(136,145,316)
Loans to customers	(101,111,550)	(48,747,203)
Finance lease receivables	6,992,529	6,525,587
Advances paid under finance lease agreements	(87,810,856)	(42,720,845)
Derivative financial instruments	(10,589,553)	(4,017,237)
Other assets	2,637,077	3,115,939
Increase/(decrease) in operating liabilities		
Loans from the Parent Company	126,100,000	97,861,805
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna" JSC	(333,333)	(333,333)
Loans and deposits from banks and other financial institutions	(52,452,851)	108,769
Current accounts and deposits from customers	(84,041,092)	67,587,265
Other liabilities	1,243,094	(6,147,836)
Net cash used in operating activities before income tax paid	**29,507,259**	**(89,727,905)**
Income tax paid	(3,170,809)	(818,798)
Cash flows used in operating activities	**26,336,450**	**(90,546,703)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

	2017 '000 KZT	2016 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment and intangible assets	(284,629)	(252,354)
Disposal equipment and intangible assets	6,200	774
Acquisition of available-for-sale financial assets	(35,340,462)	(338,663,832)
Disposal and redemption of available-for-sale financial assets	156,915,736	238,537,790
Cash flows from/(used in) investing activities	**121,296,845**	**(100,377,622)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued	25,000,000	20,000,000
Proceeds from subordinated debt issued	-	15,000,000
Proceeds from debt securities issued	176,508,000	212,500,000
Repurchase/redemption of debt securities issued	(104,836,907)	(57,562,303)
Dividends paid	(1,995,163)	(1,710,931)
Cash flows from financing activities	**94,675,930**	**188,226,766**
Net increase/(decrease) in cash and cash equivalents	**242,309,225**	**(2,697,559)**
Effect of changes in exchange rates on cash and cash equivalents	1,492,772	(8,690,720)
Cash and cash equivalents at the beginning of the year	208,793,845	220,182,124
Cash and cash equivalents at the end of the year (Note 13)	**452,595,842**	**208,793,845**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

F-14

	Share capital '000 KZT	Reserve capital '000 KZT	Hedging reserve '000 KZT	Revaluation reserve for available-for-sale financial assets reclassified to loans to customers '000 KZT	Revaluation reserve for available-for-sale financial assets '000 KZT	Additional paid-in capital '000 KZT	Accumulated losses '000 KZT	Total equity '000 KZT
Balance at 1 January 2016	**353,667,511**	**17,712,311**	**3,403,546**	**4,522,580**	**(12,491,441)**	**28,423,220**	**(39,137,871)**	**356,099,856**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	6,650,543	6,650,543
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	(642,988)	-	-	(642,988)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	(2,993,731)	-	-	(2,993,731)
Amortisation of revaluation reserve for available-for-sale financial assets which were reclassified to loans to customers	-	-	-	(1,591,261)	-	-	-	(1,591,261)
Net unrealised gain on hedging instruments, net of tax of KZT 852,555 thousand	-	-	(3,410,219)	-	-	-	-	(3,410,219)
Total other comprehensive income	-	-	(3,410,219)	(1,591,261)	(3,636,719)	-	-	(8,638,199)
Total comprehensive income for the year	**-**	**-**	**(3,410,219)**	**(1,591,261)**	**(3,636,719)**	**-**	**6,650,543**	**(1,987,656)**
Transactions with owners, recorded directly in equity								
Shares issued	20,000,000	-	-	-	-	-	-	20,000,000
Discount on loan from the Parent Company (Note 27), net of tax of KZT 277,410 thousand	-	-	-	-	-	-	(1,109,637)	(1,109,637)
Dividends	-	-	-	-	-	-	(1,710,931)	(1,710,931)
Total transactions with owners, recorded directly in equity	**20,000,000**	**-**	**-**	**-**	**-**	**-**	**(2,820,568)**	**17,179,432**
Balance at 31 December 2016	**373,667,511**	**17,712,311**	**(6,673)**	**2,931,319**	**(16,128,160)**	**28,423,220**	**(35,307,896)**	**371,291,632**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

	Share capital '000 KZT	Reserve capital '000 KZT	Hedging reserve '000 KZT	Revaluation reserve for available-for-sale financial assets reclassified to loans to customers '000 KZT	Revaluation reserve for available-for-sale financial assets '000 KZT	Additional paid-in capital '000 KZT	Accumulated losses '000 KZT	Total equity '000 KZT
Balance at 1 January 2017	**373,667,511**	**17,712,311**	**(6,673)**	**2,931,319**	**(16,128,160)**	**28,423,220**	**(35,307,896)**	**371,291,632**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	4,761,226	4,761,226
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	15,036,335	-	-	15,036,335
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	(1,937,316)	-	-	(1,937,316)
Amortisation of revaluation reserve for available-for-sale financial assets which were reclassified to loans to customers	-	-	-	(2,016,907)	-	-	-	(2,016,907)
Net unrealised gain on hedging instruments, net of tax of KZT 1,668 thousand	-	-	6,673	-	-	-	-	6,673
Total other comprehensive income	-	-	6,673	(2,016,907)	13,099,019	-	-	11,088,785
Total comprehensive income for the year	**-**	**-**	**6,673**	**(2,016,907)**	**13,099,019**	**-**	**4,761,226**	**15,850,011**
Transactions with owners, recorded directly in equity								
Shares issued	25,000,000	-	-	-	-	-	-	25,000,000
Use of reserve capital	-	(17,712,311)	-	-	-	-	17,712,311	-
Discount on financial instruments (Note 14)	-	-	-	-	-	-	(1,979,326)	(1,979,326)
Dividends	-	-	-	-	-	-	(1,995,163)	(1,995,163)
Total transactions with owners, recorded directly in equity	**25,000,000**	**(17,712,311)**	**-**	**-**	**-**	**-**	**13,737,822**	**21,025,511**
Balance at 31 December 2017	**398,667,511**	**-**	**-**	**914,412**	**(3,029,141)**	**28,423,220**	**(16,808,848)**	**408,167,154**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 - 104.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of Development Bank of Kazakhstan JSC (the "Bank") and its subsidiary DBK Leasing JSC (together referred to as the "Group").

Development Bank of Kazakhstan JSC was established in the Republic of Kazakhstan as a closed joint-stock company as defined in the Civil Code of the Republic of Kazakhstan, in accordance with the legislation of the Republic of Kazakhstan. The Bank was established in 2001 in accordance with the Law of the Republic of Kazakhstan "On the Development Bank of Kazakhstan" No.178-II dated 25 April 2001 (the "Law"). On 18 August 2003, the Bank underwent the state re-registration procedure due to change of its name – from Development Bank of Kazakhstan CJSC to Development Bank of Kazakhstan JSC. The Bank operates in accordance with the Law of the Republic of Kazakhstan dated 31 August 1995 "On Banks and Banking Activity in the Republic of Kazakhstan", the Law of the Republic of Kazakhstan dated 13 May 2003 "On Joint-Stock Companies", the Charter of the Development Bank of Kazakhstan JSC approved by the Resolution of the Management Board of National Management Holding "Baiterek" JSC No.41/14 dated 24 December 2014; Credit Policy Memorandum of the Development Bank of Kazakhstan JSC approved by the decisions of the Management Board of the National Managing Holding "Baiterek JSC No. 43/16 dated 27 October 2016, other legal acts of the Republic of Kazakhstan and internal regulations of the Bank.

The Bank is a national development institution. The main purpose of the Bank is to improve and increase the efficiency of state investment activity, promote the development of production infrastructure and processing industry and assist in attraction of external and internal investments to the national economy of the Republic of Kazakhstan.

The Bank's registered office is: 10, Mangilik Yel Avenue, "Kazyna Tower" Building, Yessil district, Astana, Republic of Kazakhstan.

The Bank is the parent company of a wholly owned consolidated subsidiary, DBK-Leasing JSC (the "Subsidiary"), which was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan. The principal activity of the Subsidiary is finance lease operations.

Eurobonds issued by the Bank are listed on London Stock Exchange, Luxembourg Stock Exchange and Kazakhstan Stock Exchange (the "KASE").

(b) Shareholders

As at 31 December 2012, the sole shareholder of the Group was Sovereign Wealth Fund "Samruk-Kazyna" JSC (SWF "Samruk-Kazyna"). In accordance with the Decree of the President of the Republic of Kazakhstan No.136 dated 10 August 2011 "On Measures for Further Improvement of the Public Management System of the Republic of Kazakhstan" the entire block of ordinary shares of the Bank was transferred under trust management to the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In accordance with the Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 "On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and for Development of the National Economy", the entire block of ordinary shares of the Bank and risks and control associated therewith were transferred as a payment of the charter capital of the National Management Holding "Baiterek" JSC. As at 31 December 2017 the Group's sole shareholder was National Management Holding "Baiterek" JSC (the "Parent Company" or "Baiterek"). The ultimate controlling party is the Government of the Republic of Kazakhstan (the "Government"). Related party transactions are detailed in Note 38.

1 Background, continued

(c) Kazakhstan business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge, which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that available-for-sale financial assets and derivative financial instruments are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Group and its subsidiary is the Kazakhstani tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Placements with banks and other financial institutions impairment estimates – Note 14;
- Loans to banks impairment estimates – Note 15;
- Loans to customers impairment estimates – Note 16;
- Finance lease receivable impairment estimates – Note 17;
- Embedded derivatives – Note 17;
- Amounts receivable from IFK JSC – Note 22;
- Derivative financial instruments – Note 23;
- Subordinated debt – Note 30;
- Estimates of fair values of financial assets and liabilities – Note 40.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation

The Group has adopted the following amendments to standards with a date of initial application of 1 January 2017:

- *Disclosure Initiative (Amendments to IAS 7).* IAS 7 *Statement of Cash Flows* has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways.
- *Recognition of Deferred Tax Asset for Unrealised Losses (Amendments to IAS 12).* The amendments to IAS 12 *Income Taxes* clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. The amendments show that the entity can recognise a deferred tax asset if the future bottom line of its tax return is expected to be a loss if certain conditions are met.
- *Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12).* Amendments to IFRS 12 *Disclosure of Interests in Other Entities* clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Bank consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3 Significant accounting policies, continued

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group entities at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are retranslated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances with the National Bank of the Republic of Kazakhstan (the "NBRK") and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Placements with banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at amortised cost based on expected maturities. Amounts due from credit institutions are carried net of an allowance for impairment losses, if any.

(e) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative that is a financial guarantee contract or designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available- for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale or,
- meet the definition of loans and receivables

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are measured at origination at their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on the origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

Depending on the reasons for transaction, and an assessment of whether the counterparty is acting in their capacity as an equity holder, the difference between the fair value and the nominal value on transactions with the Parent Company or fellow subsidiaries at origination may be credited or charged to equity.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(v) Fair value measurement principles

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(vii) Derecognition, continued

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the separate statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans and advances to banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

Derivative financial instruments include swap, forward, futures and spot transactions.

According to existing policy of the Group, some derivative instruments qualify for hedge accounting.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

3 Significant accounting policies, continued

(e) Financial instruments, continued

(x) Hedging

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedging items including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated. Hedging is highly effective if the actual results are in the range of 80-125% during the period for which the hedge is designated. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss when the hedging object influences profit ot loss.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Changes in the fair value of derivatives that are not designed as hedging instruments are recognised immediately in profit or loss.

(xi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Leases

The Group's lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 *Leases*.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset or,

3 Significant accounting policies, continued

(f) Leases, continued

- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Group as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(g) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value. The cost of foreclosed assets is based on the specific identification principle, and recorded at net book value of the underlying loan or lease base at foreclosure date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables, to assess impairment on a regular basis.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost, continued

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3 Significant accounting policies, continued

(h) Impairment, continued

(iv) Non-financial assets

Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as a "deferred income" in other liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined as described in Note 3(e) (iii) and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

(j) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount of such liability is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(k) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3 Significant accounting policies, continued

(k) Credit related commitments, continued

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised, less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except in the following cases:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss
- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(m) Taxation

Income tax amount includes current tax and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax includes the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

3 Significant accounting policies, continued

(m) Taxation, continued

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Republic of Kazakhstan, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(n) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Finance lease organisation fees, lease servicing fees and other fees that are considered to be integral to the overall profitability of a finance lease, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 Significant accounting policies, continued

(o) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(p) Comparative information

Comparative information is reclassified to conform to changes in presentation of the consolidated financial statements in the current year.

In the course of preparation of the consolidated financial statements of the Bank for the year ended 31 December 2016, management made certain classifications which affected comparative information, for the purpose of presentation of the financial statements for the year ended 31 December 2017.

The effect of changes due to reclassifications on the corresponding figures can be summarised as follows:

'000 KZT	As previously reported	Adjustments	As restated
Consolidated statement of financial position as at 31 December 2016			
Government grants	94,307,008	24,025,079	118,332,087
Other liabilities	46,450,949	(24,025,079)	22,425,870

(q) New standards and interpretations not yet adopted

The following new standards, amendments to standards, and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

The following standards are expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation* (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted

IFRS 9 *Financial Instruments, continued*

The Group will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 will not exceed 11% of equity, representing:

- a reduction of up to 10.5% of equity related to impairment requirements (see (ii));
- a reduction of up to 0.5% of equity related to classification and measurement requirements, other than impairment (see (i) and (iii)); and

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- the Group is refining and finalising its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

(i) Classification - financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(i) Classification - financial assets, continued

A financial asset is classified into one of these categories on initial recognition. See (vi) for the transition requirements relating to classification of financial assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Group will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for time value of money – e.g. periodic reset of interest rates.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(i) Classification - financial assets, continued

Business model assessment, continued

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Impact assessment

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Trading assets and derivative assets held for risk management, which are classified as held-for-trading and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.

- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9, except for the receivables from IFC (see Note 22) that will be measured at fair value thorough profit or loss under IFRS 9.
- Held-to-maturity debt financial assets measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.
- Debt financial assets that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.
- Loans and advances to customers and investment securities that are designated as at FVTPL under IAS 39 will in general continue to be measured at FVTPL under IFRS 9.
- The majority of the equity investment securities that are classified as available-for-sale under IAS 39 will be measured at FVTPL under IFRS 9.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, the impact of these changes (before tax) is a reduction in the Group's equity of up to 0.5%.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ELC) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date.
- other financial instruments (other than financial lease receivables) for which credit risk has not increased significantly since initial recognition.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- *financial assets that are credit-impaired at the reporting date:* the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39 (see Note 3(h)).

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Definition of default

Under IFRS 9, the Group will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without revision of contractual terms (for example: extending maturity, changing timing of interest payments); or
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Exposure to credit risk

The Group will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group will use these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments,* continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Generating the term structure of PD

Credit risk grades will be a primary input into the determination of the term structure of PD for exposures.

The Group will collect performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Group will employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis will include the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth. The Group's approach to incorporating forward-looking information into this assessment is discussed below.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have decreased by 2 or more notches since initial recognition. In measuring increases in credit risk, remaining lifetime ECLs are adjusted for changes in maturity.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Group will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

The Group will monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD will reflect whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group will evaluate the borrower's payment performance against the modified contractual terms and consider various behavioural indicators.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Inputs into measurement of ECLs, continued

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD. LGD estimates will be calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts. For some financial assets, the Group will determine EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group will measure ECLs over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.

These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period will be estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include: instrument type; credit risk gradings; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(ii) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

The groupings will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information will be used to supplement the internally available data.

Forward-looking information

Under IFRS 9, the Group will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Group uses expert judgment of Assets and Liabilities Management Committee in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, such as the NBRK and Ministry of National Economy of the Republic of Kazakhstan, and selected private sector and academic forecasters.

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

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is GDP forecasts. Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on data of external provider.

Impact assessment

The most significant impact on the Group's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.

The Group has estimated that, on the adoption of IFRS 9 at 1 January 2018, the impact of the increase in loss allowances (before tax) will not exceed 10.5%.

(iii) Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

(iv) Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the Group will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss. Under IAS 39, the Group does not recognise any gain or loss in profit or loss on modifications of financial liabilities and non-distressed financial assets that do not lead to their derecognition.

The Group expects an immaterial impact from adopting these new requirements.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 9 *Financial Instruments*, continued

(v) Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. The Group has elected to continue to apply IAS 39. However, the Group will provide the expanded disclosures on hedge accounting introduced by IFRS 9's amendments to IFRS 7 *Financial Instruments: Disclosures* because the accounting policy election does not provide an exemption from these new disclosure requirements.

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses.

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The determination of the business model within which a financial asset is held has to be made on the basis of the facts and circumstances that exist at the date of initial application.

If a debt investment security has low credit risk at 1 January 2018, then the Group will determine that the credit risk on the asset has not increased significantly since initial recognition.

IFRS 16 *Leases*

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has not completed assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

3 Significant accounting policies, continued

(q) New standards and interpretations not yet adopted, continued

IFRS 16 *Leases*, continued

(i) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- apply the IFRS 16 definition of a lease to all its contracts; or
- apply a practical expedient and not reassess whether a contract is, or contains, a lease.

The Group is currently assessing whether to it will apply the practical expedient.

(ii) Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019. The Group is currently in the process of assessing and making a decision on selecting the approach to apply the standard.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- *Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Transfers of Investment Property (Amendments to IAS 40).*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*
- IFRIC 23 *Uncertainty over Income Tax Treatments.*

4 Net interest income

	2017 '000 KZT	2016 '000 KZT
Interest income		
Loans to customers	98,838,436	90,877,645
Cash and cash equivalents	13,022,136	7,438,230
Loans to banks	12,670,951	11,309,730
Finance lease receivables	12,653,598	7,377,412
Available-for-sale financial assets	12,002,706	11,832,398
Placements with banks and other financial institutions	10,364,476	7,830,967
Held-to maturity investments	379,746	353,601
	159,932,049	**137,019,983**
Interest expense		
Debt securities issued	(54,845,811)	(44,281,969)
Loans and deposits from banks and other financial institutions	(43,239,461)	(47,373,609)
Loans from the Parent Company	(6,275,340)	(574,001)
Subordinated debt	(5,810,907)	(5,456,082)
Loans from the Government of the Republic of Kazakhstan and the SWF "Samruk-Kazyna"	(1,290,172)	(1,250,289)
Current accounts and deposits from customers	(1,166,819)	(2,147,512)
	(112,628,510)	**(101,083,462)**

Included within various line items under interest income for the year ended 31 December 2017 is a total of KZT 15,394,782 thousand (2016: KZT 4,901,679 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2017 '000 KZT	2016 '000 KZT
Letters of credit and guarantees	551,941	347,829
Reservation commission on undrawn part of loan	173,829	156,199
Other	14,136	12,505
	739,906	**516,533**

6 Fee and commission expense

	2017 '000 KZT	2016 '000 KZT
Commissions for confirming letter of credit	412,898	15,100
Commission for early repayment of loan	331,080	-
Agency fee	107,939	82,379
Securities operations	58,842	49,345
Maintenance of current accounts	20,139	156
Custodian services	19,116	20,585
Commission expenses on securities issued	17,523	110,023
Commission expenses on debit cards	2,571	5,565
Commission expenses for undrawn credit lines	1,936	4,919
Transfer services	479	544
Other	415	16,877
	972,938	**305,493**

7 Net foreign exchange (loss)/gain

	2017 '000 KZT	2016 '000 KZT
Translation differences, net	(946,972)	4,574,583
Dealing operations, net	689,245	197,260
	(257,727)	**4,771,843**

8 Net loss on derivative financial instruments

	2017 '000 KZT	2016 '000 KZT
Unrealised gain from the revaluation of derivative financial instruments	(1,338,114)	917,157
Net interest expense from transactions with derivative financial instruments	(4,060,405)	(3,774,127)
Realised gain on derivative financial instruments	-	29,131
	(5,398,519)	**(2,827,839)**

9 Other income/(expense), net

	2017 '000 KZT	2016 '000 KZT
Other income		
Other income from utilisation of Government grants (Notes 15,28)	6,888,125	2,197,529
Income from early prepayment of loans	7,051,871	-
Fines and penalties	806,458	217,162
Other income from non-banking activity	3,943	1,763,049
Expenses in the form of negative adjustment of value of loans to customers	(4,185,688)	(241,411)
Expenses from early prepayment of loans from banks and other financial institutions	(7,264,803)	(4,704,446)
Expenses from restructuring of loans	-	(811,154)
	3,299,906	**(1,579,271)**

9 Other income/(expense), net, continued

Other income from utilisation of government grants represents an excess of benefits from the government grants (Note 28) over the expenses incurred by issuing loans at lower-than-market rates (Note 16), which is recognised as income following the fulfilment of the respective Government programs' conditions.

In 2017, due to partial early repayment of loans issued the Group recognised income in the amount of KZT 7,051,871 thousand resulting from the revision of the repayment schedule.

In 2017, the Group made an accrual of expense in the amount of KZT 4,185,688 thousand (in 2016: KZT 241,411 thousand), which represents discount on initial recognition of issued loans to customers.

In December 2017, due to partial early repayment of loans from foreign banks the Group made an accrual of expense of KZT 7,264,803 thousand (in 2016: KZT 4,704,446 thousand) resulting from the revision of repayment schedule.

10 Impairment losses

	2017 '000 KZT	2016 '000 KZT
Charge for impairment losses		
Loans to customers (Note 16)	(27,310,532)	(16,268,018)
Loans to banks (Note 15)	(3,489,049)	(4,087,234)
Finance lease receivables (Note 17)	(1,749,045)	(1,761,333)
Placements with banks and other financial institutions (Note 14)	(2,279,996)	(4,398,518)
Assets to be transferred under finance lease agreements (Note 21)	(50,226)	(6,023)
Other assets (Note 22)	(157,340)	535,764
	(35,036,188)	**(25,985,362)**

11 General administrative expenses

	2017 '000 KZT	2016 '000 KZT
Payroll and related taxes	3,296,834	3,035,465
Professional services	768,358	1,386,538
Occupancy	398,238	338,236
Taxes other than on income	363,112	450,903
Communications and information services	204,397	207,128
Business travel	152,078	102,759
Depreciation and amortisation	148,540	128,909
Advertising and marketing	137,249	83,837
Rating services	98,804	108,587
Repair and maintenance	75,995	32,715
Trainings and seminars	70,171	72,281
Insurance	63,622	55,808
Consumables	19,701	27,558
Transportation	13,354	15,550
Representative expenses	2,617	3,393
Security	2,616	2,901
Other	60,480	25,550
	5,876,166	**6,078,118**

12 Income tax expense

	2017 '000 KZT	2016 '000 KZT
Current year tax expense		
Current year	(1,794,466)	(3,973,495)
Withholding tax	(526,844)	(132,798)
Current tax expense overprovided/(underprovided) in prior periods	633,302	(22,718)
Write-off of previously recognised tax asset	-	(194,613)
	(1,688,008)	**(4,323,624)**
Deferred tax benefit		
Origination and reversal of temporary differences	623,191	5,016,861
Write-off of deferred tax relating to operations with hedging instruments	-	(856,616)
Change in unrecognized deferred tax assets	86,914	(65,654)
	710,105	**4,094,591**
Total income tax expense	**(977,903)**	**(229,033)**

In 2017, the applicable tax rate for current and deferred tax is 20% (2016: 20%).

Reconciliation of effective tax rate

	2017 '000 KZT	%	2016 '000 KZT	%
Profit before income tax	**5,739,129**	**100**	**6,879,576**	**100**
Income tax at the applicable tax rate	(1,147,826)	(20)	(1,375,915)	(20)
Other non-taxable income	176,424	3	175,718	3
Non-taxable income on securities	4,372,971	76	3,859,289	56
Discount on issued loans	(1,276,348)	(22)	(1,230,893)	(18)
Non-deductible impairment losses on issued loans	(2,411,209)	(42)	(1,507,550)	(22)
Change in unused tax losses	(1,978,656)	(34)	289,090	4
Change in unrecognised deferred tax assets and liabilities: net of tax loss carry-forward unrecognised in prior years	86,914	2	(65,654)	(1)
Write-off of previously recognised withholding tax in 2009-2016	-	-	(194,613)	(3)
Overprovided/(Underprovided) in prior periods	633,302	11	(22,718)	-
Tax exempt interest on finance lease receivables	1,093,369	19	833,627	12
Write-off of deferred tax asset on operations with hedging instruments	-	-	(856,616)	(12)
Income tax withheld at source	(526,844)	(9)	(132,798)	(2)
	(977,903)	(16)	(229,033)	(3)

13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows comprise the following:

	2017 '000 KZT	2016 '000 KZT
Demand deposits		
National Bank of the Republic of Kazakhstan	1,713,690	11,107,199
Total demand deposits	**1,713,690**	**11,107,199**
Cash at current bank accounts		
National Bank of the Republic of Kazakhstan	90,437,583	35,403,401
Other banks		
-Rated from AA- to AA+	40,191,509	13,651,308
-Rated from A- to A+	83,494,464	45,838,915
- Rated from BBB- to BBB+	-	2,699
-Rated from BB- to BB+	78,193,887	61,388,125
- Rated from B- to B+	22,906	2,178,298
Total cash at current bank accounts	**292,340,349**	**158,462,746**
"Reverse repo" agreements with original maturities of less than three months	158,541,446	39,223,760
Cash on hand	357	140
	452,595,842	**208,793,845**

As at 31 December 2017 and 2016 the Group entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements were treasury notes of the Ministry of finance issued by the Government of the Republic of Kazakhstan. As at 31 December 2017, the carrying amount of those agreements and fair value of securities pledged amounted to KZT 158,541,446 thousand and KZT 39,223,760 thousand, respectively (as at 31 December 2016: KZT 39,223,760 thousand and KZT 39,486,206 thousand, respectively).

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

None of cash equivalents are impaired or past due.

Concentration of cash and cash equivalents

As at 31 December 2017 the Group had three banks (31 December 2016: three banks), whose balances exceeded 10% of equity. The gross value of these balances as of 31 December 2017 and 2016 was KZT 232,209,834 thousand and KZT 148,454,250 thousand, respectively.

14 Placements with banks and other financial institutions

	2017 '000 KZT	2016 '000 KZT
Placements with banks and other financial institutions		
Rated from BB- to BB+	19,948,421	710,226
Rated from B- to B+	54,269,903	118,419,320
Rated from CCC- to CCC+	-	20,085,907
Rated D	-	456,414
Not rated	482,770	-
Gross placements with banks other financial institutions	**74,701,094**	**139,671,867**
Impairment allowance	(482,770)	(4,398,636)
Net placements with banks other financial institutions	**74,218,324**	**135,273,231**

14 Placements with banks and other financial institutions, continued

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

As at 31 December 2017 placement in the amount of KZT 482,770 thousand with one bank is impaired (31 December 2016: at one bank in the amount of KZT 4,398,636 thousand).

Concentration of placements with banks

As at 31 December 2017 the Group had no placements with banks, whose balances exceeded 10% of equity (31 December 2016: KZT 83,701,464 thousand in two banks).

(a) Analysis of movements in the impairment allowance

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	(4,398,636)	-
Net charge	(2,279,996)	(4,398,518)
Transfer to loans to customers	3,942,222	-
Decrease due to deposit write-off	2,202,069	-
Exchange differences on translation	51,571	(118)
Balance at the end of the year	**(482,770)**	**(4,398,636)**

As at 31 December 2016 the Group held deposits of KZT 20,085,907 thousand in Delta Bank JSC. As at 31 December 2016 the Bank recognized impairment in the amount of KZT 3,942,222 thousand in relation to these deposits. On 15 June 2017 the Group signed a tripartite agreement with Delta Bank JSC and several borrowers. Under this agreement, all rights of claim of Delta Bank JSC (for the deposit agreement signed before) were transferred to the borrowers. During the year ended 31 December 2017, the Bank recognized impairment losses in relation to these borrowers in the amount of KZT 15,552,758 thousand within impairment losses on loans to customers. As at 31 December 2017, the gross amounts receivable from these borrowers were fully impaired.

The Group had balances of KZT 5,040,481 thousand on the deposit account with Bank RBK JSC. In December 2017, a claim to this deposit account was restructured in accordance with the terms and conditions of the Framework Agreement dated 7 November 2017 signed between the Government of the Republic of Kazakhstan, SWF "Samruk-Kazyna", NMH "Baiterek" JSC, Holding "Kazagro" JSC, Bank RBK JSC and Kazakhmys LLC. As part of the restructuring, the Group's claims to Bank RBK JSC were replaced with the collateralised debt obligations of Special Financial Company "DSFK" LLP, to which the non-performing loans of Bank RBK JSC have been transferred. This portfolio of transferred non-performing loans secures the issued debt obligations of Special Financial Company "DSFK" LLP. The fair value of these securities on the Company's balance sheet as at 31 December 2017 was KZT 860,603 thousand and represented the fair value of the guarantee of Kazakhmys LLP provided to the holders of said securities.

Based on the results of the restructuring, the Group recognised an impairment loss of KZT 2,202,069 thousand in the consolidated statement of profit or loss and KZT 1,979,326 thousand in the consolidated statement of changes in equity. A part of impairment loss was recognized directly in equity, since the restructuring was mandated by the Parent.

15 Loans to banks

	2017 '000 KZT	2016 '000 KZT
Loans and deposits		
Rated from BB- to BB+	29,951,403	26,534,937
Rated from B- to B+	35,789,606	184,010,188
Rated from CCC- to CCC+	5,748,021	2,367,690
Rated D	-	4,087,234
Not rated	4,087,234	-
Gross loans to banks	**75,576,264**	**217,000,049**
Impairment allowance	(7,576,283)	(4,087,234)
Net loans to banks	**67,999,981**	**212,912,815**

During the year, ended 31 December 2017, the portfolio of loans issued to second-tier banks decreased due to repayment of loans issued to replenish the working capital of the business entities using the funds of the National Fund of the Republic of Kazakhstan and JSC "Unified Accumulative Pension Fund".

As at 31 December 2017 the Group had no outstanding balances of loans issued to second tier banks whose balances exceed 10% of equity (31 December 2016: none).

As at 31 December 2017 the carrying amount of loans included accrued interest of KZT 898,705 thousand (31 December 2016: KZT 3,805,236 thousand).

On 27 December 2016 the NBRK revoked the license of Kazinvestbank JSC to carry out banking and other operations and activity in the securities market issued by the Agency of the Republic of Kazakhstan for Regulation and Supervisions of the Financial Market and Financial Organisations due to improper fulfilment of its contractual obligations related to payment and transfer transactions. As at 31 December 2017 the Group considers the loans issued to Kazinvestbank JSC for the total amount of KZT 4,087,234 thousand as fully impaired based on its understanding of the Kazinvestbank JSC current financial position it does not expect probable future cash flows from the assets.

During 2017, the Group recognised additional impairment loss of KZT 3,489,049 thousand. Such loss comprises impairment allowance for the loan issued to Bank RBK JSC of KZT 5,748,021 thousand, which accounts for 61% of the loan gross value. The Group estimates impairment allowance on the loan based on analysis of the future cash flows using the market rate of 20.03%. Future cash flows are estimated based on the analysis of the structure of the assets and liabilities of the borrower.

In arriving at the estimate of the market rate the management used the yield on government bonds of 9% after deduction of the risk-free rate and a credit spread of 11.03% (credit rating of second-tier banks with CCC-rating as of 31 December 2017).

(a) Analysis of movements in the impairment allowance

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the period	(4,087,234)	-
Net charge	(3,489,049)	(4,087,234)
Balance at the end of the period	**(7,576,283)**	**(4,087,234)**

16 Loans to customers

	2017 '000 KZT	2016 '000 KZT
Loans to corporates	1,495,687,587	1,378,104,597
Mortgage loans	256,805	308,508
Accrued interest	68,461,148	52,759,202
Gross loans to customers	**1,564,405,540**	**1,431,172,307**
Impairment allowance	(71,746,971)	(40,154,004)
Net loans to customers	**1,492,658,569**	**1,391,018,303**

(a) Movements in the loan impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2017 and 2016 are as follows:

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	(40,154,004)	(24,692,442)
Net charge for the year	(27,310,532)	(16,268,018)
Effect of foreign currency movements	(340,213)	806,456
Transfer from placements with banks and other financial institutions	(3,942,222)	-
Balance at the end of the year	**(71,746,971)**	**(40,154,004)**

(b) Credit quality of loan portfolio

The following table provides information on the credit quality of the loan portfolio at 31 December 2017:

	Gross loans '000 KZT	Impairment allowance '000 KZT	Net loans '000 KZT	Impairment allowance to gross loans %
Loans without individual signs of impairment	1,346,764,509	(15,539,817)	1,331,224,692	1.15
Impaired loans				
- not past due	181,628,942	(25,843,720)	155,785,222	14.23
- overdue less than 30 days	2,225,323	(2,225,323)	-	100.0
- overdue less than 90 days	13,538,043	(13,538,043)	-	100.0
- overdue more than 180 days and less than 1 year	20,248,723	(14,600,068)	5,648,655	72.10
Total impaired loans	**217,641,031**	**(56,207,154)**	**161,433,877**	**25.83**
Total loans	**1,564,405,540**	**(71,746,971)**	**1,492,658,569**	**4.59**

16 Loans to customers, continued

(b) Credit quality of loan portfolio, continued

The following table provides information on the credit quality of the loan portfolio at 31 December 2016:

	Gross loans '000 KZT	Impairment allowance '000 KZT	Net loans '000 KZT	Impairment allowance to gross loans %
Loans without individual signs of impairment	1,352,480,758	(19,176,218)	1,333,304,540	1.42
Impaired loans				
- not past due	58,407,210	(9,354,014)	49,053,196	16.02
- overdue less than 30 days	20,284,339	(11,623,772)	8,660,567	57.30
Total impaired loans	**78,691,549**	**(20,977,786)**	**57,713,763**	**26.66**
Total loans	**1,431,172,307**	**(40,154,004)**	**1,391,018,303**	**2.81**

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment has been identified.

In determining the impairment allowance for loans to legal entities, management made the following key assumptions:

- historic annual loss rate of 1.15% (31 December 2016: 1.42%).
- a discount of between 20% and 70% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment allowance for loans to customers as at 31 December 2017 would be KZT 14,927,215 thousand (31 December 2016: KZT 13,910,183 thousand) lower/higher.

Analysis of collateral

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

16 Loans to customers, continued

(b) Credit quality of loan portfolio, continued

Analysis of collateral, continued

The following tables provide information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral.

31 December 2017 '000 KZT	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed during the reporting period	Fair value of collateral – for collateral assessed before the reporting period
Loans without individual signs of impairment			
Cash and deposits	2,448,913	2,448,913	-
Government guarantees	9,485,057	9,485,057	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)*	301,825,718	301,825,718	-
Bank guarantees and guarantees received from legal entities (not rated)*	228,531,564	228,531,564	-
Motor vehicles	1,144,519	91,687	1,052,832
Real estate	292,129,687	37,910,207	254,219,480
Equipment	119,992,956	3,231,000	116,761,956
Equity share	103,629,133	5,957,553	97,671,580
Other collateral	4,046,407	3,306,416	739,991
Future assets	189,390,582	38,758,876	150,631,706
Securities	76,437,743	76,437,743	-
No collateral or other credit enhancement	2,162,413	-	-
Total loans without individual signs of impairment	**1,331,224,692**	**707,984,734**	**621,077,545**
Overdue or impaired loans			
Cash and deposits	5,465,832	452,457	5,013,375
Bank guarantees (rated from B- to BBB+)*	2,861,671	2,861,671	-
Bank guarantees and guarantees received from legal entities (not rated)*	17,000,000	-	-
Motor vehicles	1,543,490	-	1,543,490
Real estate	58,308,711	-	58,308,711
Equipment	57,534,264	-	57,534,264
Goods in turnover	3,190,570	-	3,190,570
Other collateral	1,712,063	-	1,712,063
No collateral or other credit enhancement	13,817,276	-	-
Total overdue or impaired loans	**161,433,877**	**3,314,128**	**127,302,473**
Total loans to corporate customers	**1,492,658,569**	**711,298,862**	**748,380,018**

16 Loans to customers, continued

(b) Credit quality of loan portfolio, continued

Analysis of collateral, continued

31 December 2016 '000 KZT	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed during the reporting period	Fair value of collateral – for collateral assessed before the reporting period
Loans without individual signs of impairment			
Cash and deposits	2,455,546	2,455,546	-
Government guarantees	10,833,993	10,833,993	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)*	283,832,214	283,832,214	-
Bank guarantees and guarantees received from legal entities (rated from C- to CCC+)*	231,617,943	231,617,943	-
Bank guarantees and guarantees received from legal entities (not rated)*	112,199,008	112,199,008	-
Motor vehicles	957,912	851,924	105,988
Real estate	123,445,695	308,508	123,137,187
Equipment	153,052,018	346,770	152,705,248
Equity share	7,467,055	1,479,957	5,987,098
Goods in turnover	11,051	-	11,051
Future assets	260,748,102	15,787,460	244,960,642
Securities	144,425,515	144,425,515	-
No collateral or other credit enhancement	2,258,488	-	-
Total loans without individual signs of impairment	**1,333,304,540**	**804,138,838**	**526,907,214**
Overdue or impaired loans			
Cash and deposits	5,062,720	5,062,720	-
Bank guarantees (rated from B- to BBB+)*	2,860,010	2,860,010	-
Motor vehicles	1,647,676	1,467,251	180,425
Real estate	37,124,412	9,289,386	27,835,026
Equipment	11,018,945	7,667,617	3,351,328
Total overdue or impaired loans	**57,713,763**	**26,346,984**	**31,366,779**
Total loans to corporate customers	**1,391,018,303**	**830,485,822**	**558,273,993**

*Fair value of bank guarantees and guarantees received from legal entities is equal to the carrying amount of loans related to them.

16 Loans to customers, continued

(b) Credit quality of loan portfolio, continued

Analysis of collateral, continued

The tables above exclude overcollateralisation.

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

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

(c) Industry and geographical analysis of the loan portfolio

Loans to customers are issued to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2017 '000 KZT	2016 '000 KZT
Manufacturing	583,026,028	548,772,452
Carbon and petrochemical manufacturing	575,130,782	539,889,051
Energy and electricity distribution	94,295,316	84,748,132
Chemical	70,437,378	65,525,620
Information and telecommunication	59,277,457	86,262,157
Machinery manufacturing	36,995,614	23,541,913
Transportation and warehousing	36,779,395	19,713,694
Real estate	29,060,734	-
Construction materials	27,414,836	20,284,339
Food processing	16,808,323	11,772,495
Agriculture	3,560,959	-
Mortgage	256,805	308,508
Other	31,361,913	30,353,946
	1,564,405,540	**1,431,172,307**
Impairment allowance	(71,746,971)	(40,154,004)
Total loans to customers	**1,492,658,569**	**1,391,018,303**

(d) Significant credit exposures

As at 31 December 2017, the Group had 10 borrowers (including bonds recorded as part of loans to customers) (31 December 2016: nine borrowers) whose balances exceeded 10% of equity. The net carrying value of these loans as at 31 December 2017 was KZT 1,003,638,442 thousand (31 December 2016: KZT 987,457,439 thousand).

(e) Loan maturities

The maturity of the Group's loan portfolio is presented in Note 34(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

17 Finance lease receivable

The components of net investments in finance lease as at 31 December 2017 and 2016 are as follows:

	2017 '000 KZT	2016 '000 KZT
Less than one year	27,361,690	17,909,913
From one to five years	88,750,769	47,519,677
More than five years	90,564,169	30,272,300
Minimum lease payments	**206,676,628**	**95,701,890**
Less unearned finance income		
Less than one year	(10,734,781)	(5,547,728)
From one to five years	(48,675,363)	(21,213,847)
More than five years	(44,318,005)	(17,982,758)
Less unearned finance income, total	**(103,728,149)**	**(44,744,333)**
Less impairment allowance	(6,654,714)	(6,853,597)
Net investment in finance lease	**96,293,765**	**44,103,960**

	2017 '000 KZT	2016 '000 KZT
Leases to large corporates	21,194,874	23,770,623
Leases to small and medium sized companies	81,753,605	27,186,934
Less impairment allowance	(6,654,714)	(6,853,597)
Net investment in finance lease	**96,293,765**	**44,103,960**

Finance lease origination fees, lease servicing fees and other fees, differences between the actual cost of the lease items and cost of the lease items at the time of their transfer under the finance lease agreement are recognised as deferred income and amortised to interest income over the estimated life of the financial instrument in the amount of KZT 1,491,876 thousand (31 December 2016: 1,210,833 thousand), that is considered to be integral part of the finance lease.

As at 31 December 2017 the Group has 10 lessees or 4 groups of related lessees, whose balances make 59% of total carrying amount of the lease receivables. As at 31 December 2017 the total carrying amount of receivables from these lessees is KZT 57,739,185 thousand (31 December 2016: KZT 14,459,511 thousand). Up to 57% of the total carrying amount relate to the group of National Company "Kazakhstan Temir Zholy" JSC ("KTZh") and the company, which is economically dependent in KTZh, for the total amount of KZT 32,715,687 thousand that results in certain risk of credit concentration due to the nature of their business activity and industry specifics.

Movements in the lease impairment allowance for the years ended 31 December 2017 and 2016 are as follows:

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	(6,853,597)	(8,164,973)
Net charge for the year	(1,749,045)	(1,761,333)
Transfer to other assets	17,152	-
Write-offs of impairment allowance on lease transferred to other assets	1,395,611	1,643,585
Write-offs for the year	535,165	1,429,124
Balance at the end of the year	**(6,654,714)**	**(6,853,597)**

17 Finance lease receivable, continued

Embedded derivatives

The repayment of investment in finance leases of KZT 11,656,922 thousand and KZT 15,535,140 thousand is in part linked to any appreciation in the rate of the USD against the KZT and RUB against KZT, respectively (2016: KZT 11,140,470 thousand linked to appreciation of the USD against KZT). If the value of the USD and RUB appreciates, the amount receivable is increased by the respective index. If the rate of the USD and RUB appreciates, the amount receivable is increased by the respective index. If the rate of the USD and RUB depreciates, the amount receivable is not adjusted below the original outstanding amount in KZT. Base for calculation of embedded derivative includes all future payments under finance lease agreements and contingent liabilities linked to appreciation of USD against KZT and RUB against KZT and as at 31 December 2017 amounts to KZT 13,669,524 thousand and KZT 29,636,629 thousand, respectively (31 December 2016: KZT 15,430,155 thousand).

These embedded derivatives are recorded at fair value in the financial statements in finance lease receivables. The estimated amount of the embedded derivatives, which is included in finance lease receivables as at 31 December 2017 is KZT 4,603,837 thousand (31 December 2016: KZT 2,804,925 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model.

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

- risk-free rates are estimated using yield curves for respective currencies and range from 1.692% to 2.249% for USD, from 7.54% to 7.88% for RUB and from 8.832% to 9.999% for KZT (31 December 2016: from 0.95% to 3.17% for USD and from 5.88% to 12.98% for KZT);
- volatility in the model is defined based on the historical half-year observations of fluctuations in actual foreign exchange rates;
- no transaction cost is included in the model.

If the spreads between KZT and USD risk-free rates narrowed by 0.5% across all the contracts the fair value of the derivatives would have decreased by KZT 197,283 thousand. If the spreads between KZT and RUB risk-free rates narrowed by 0.5% across all the contracts the fair value of the derivatives would have decreased by KZT 269,076 thousand. Decrease of USD exchange rate volatility by 50% would result in increase of the fair value of derivatives by KZT 4,414 thousand. Decrease of RUB exchange rate volatility by 50% would result in decrease of the fair value of derivatives by KZT 207,418 thousand.

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2017:

	Gross finance leases '000 KZT	Impairment allowance '000 KZT	Net finance leases '000 KZT	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- not overdue	18,053,978	(642,922)	17,411,056	3.56
Impaired leases:				
- not overdue	1,184,859	(500,382)	684,477	42.23
- overdue more than 90 days and less than 360 days	743,809	(51,485)	692,324	6.92
- overdue more than 360 days	1,212,228	(976,935)	235,293	80.59
Total leases to large corporates	**21,194,874**	**(2,171,724)**	**19,023,150**	**10.25**

17 Finance lease receivable, continued

Credit quality of finance lease portfolio, continued

	Gross finance leases '000 KZT	Impairment allowance '000 KZT	Net finance leases '000 KZT	Impairment as a percentage of gross finance lease, %
Leases to small and medium sized companies				
Leases for which no impairment has been identified:				
- not overdue	69,395,238	(1,963,010)	67,432,228	2.83
- overdue more than 5 days and less than 90 days	1,262,432	(44,957)	1,217,475	3.56
Impaired leases:				
- not overdue	11,095,935	(2,475,023)	8,620,912	22.31
Total leases to small and medium sized companies	**81,753,605**	**(4,482,990)**	**77,270,615**	**5.48**
Total finance leases	**102,948,479**	**(6,654,714)**	**96,293,765**	**6.46**

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2016:

	Gross finance leases '000 KZT	Impairment allowance '000 KZT	Net finance leases '000 KZT	Impairment as a percentage of gross finance lease %
Leases to large corporates				
Leases for which no impairment has been identified:				
- not overdue	11,335,119	(600,014)	10,735,105	5.29
overdue more than 5 days and less than 90 days:	7,182,115	(380,146)	6,801,969	5.29
Impaired leases:				
- not overdue	699,395	(50,781)	648,614	7.26
- overdue more than 90 days and less than 360 days	1,376,034	(482,860)	893,174	35.09
- overdue more than 360 days	3,177,960	(2,469,860)	708,100	77.72
Total leases to large corporates	**23,770,623**	**(3,983,661)**	**19,786,962**	**16.76**
Leases to small and medium sized companies				
Leases for which no impairment has been identified:				
- not overdue	15,441,572	(738,460)	14,703,112	4.78
- overdue more than 5 days and less than 90 days	578,277	(30,606)	547,671	5.29
- overdue more than 360 days	45,642	(2,416)	43,226	5.29
Impaired leases:				
- not overdue	10,595,195	(1,725,731)	8,869,464	16.29
- overdue more than 360 days	526,248	(372,723)	153,525	70.83
Total leases to small and medium sized companies	**27,186,934**	**(2,869,936)**	**24,316,998**	**10.56**
Total finance lease	**50,957,557**	**(6,853,597)**	**44,103,960**	**13.45**

The Group has estimated impairment for finance leases based on an analysis of the future cash flows for impaired lease receivables and based on current economic conditions for portfolios of finance leases for which no indications of impairment has been identified.

17 Finance lease receivable, continued

In determining the collective impairment allowance for finance lease receivables, management has assumed an annual loss rates from 3.56% and 4.78% to 5.29% for 2017 and 2016, respectively, which is based on historic loss experience of assets' categories adjusted for current economic conditions.

Changes in these estimates could affect the lease impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the impairment provision on finance leases as at 31 December 2017 would be KZT 962,938 thousand lower/higher (31 December 2016: KZT 441,040 thousand).

Analysis of collateral

The following tables provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment, by types of collateral:

31 December 2017 **'000 KZT**	**Finance lease receivables, carrying amount**	**Fair value of collateral - for collateral assessed as of reporting date**
Leases for which no impairment has been identified:		
Real estate	4,737,799	4,737,799
Motor vehicles	59,148,206	59,148,206
Equipment	7,775,200	7,775,200
Other assets	7,440,425	-
No collateral or other credit enhancement	6,959,129	-
Total leases for which no impairment has been identified	**86,060,759**	**71,661,205**
Impaired leases		
Real estate	892,010	892,010
Motor vehicles	2,797	2,797
Equipment	9,338,199	9,338,199
Total impaired leases	**10,233,006**	**10,233,006**
Total finance leases	**96,293,765**	**81,894,211**

31 December 2016 **'000 KZT**	**Finance lease receivables, carrying amount**	**Fair value of collateral - for collateral assessed as of reporting date**
Leases for which no impairment has been identified:		
Real estate	2,728,976	2,728,976
Motor vehicles	23,348,941	23,348,941
Equipment	4,001,749	4,001,749
No collateral or other credit enhancement	2,751,417	-
Total leases for which no impairment has been identified	**32,831,083**	**30,079,666**
Impaired leases		
Real estate	878,481	878,481
Motor vehicles	366,005	366,005
Equipment	10,028,391	10,028,391
Total impaired leases	**11,272,877**	**11,272,877**
Total finance leases	**44,103,960**	**41,352,543**

17 Finance lease receivable, continued

Analysis of collateral, continued

The tables above exclude overcollateralisation.

The Group has no finance lease receivables, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined. Information on the valuation of collateral is based on when this estimate was made, if any.

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

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

Foreclosed leased assets

During the year ended 31 December 2017 the Group obtained KZT 605,579 thousand assets by taking control of collateral securing leases (2016: KZT 2,156,054 thousand).

18 Available-for-sale financial assets

	2017 '000 KZT	2016 '000 KZT
Held by the Group		
Debt instruments		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	82,001,882	163,862,956
Corporate bonds	26,542,990	48,831,686
Bonds of the SWF "Samruk-Kazyna"	22,376,015	36,108,362
Bonds of CIS based financial institutions	12,291,428	12,163,757
Bonds of Kazakh banks	17,571,721	10,027,264
Bonds of Kazakh credit institutions, other than banks	5,213,461	4,662,242
	165,997,497	**275,656,267**

The following table presents information on the credit quality of available-for-sale financial assets:

	2017 '000 KZT	2016 '000 KZT
Rated from BBB- to BBB+	119,528,825	242,117,709
Rated from BB- to BB+	32,706,895	19,309,492
Rated from B- to B+	12,760,833	13,107,922
Not rated	1,000,944	1,121,144
	165,997,497	**275,656,267**

Unquoted debt and equity securities

As at 31 December 2017 no unquoted debt securities are included in available-for-sale financial assets (31 December 2016: none).

19 Held-to-maturity investments

	2017 '000 KZT	2016 '000 KZT
Bonds of the SWF "Samruk-Kazyna"		
Rated BBB	5,381,556	5,013,296
	5,381,556	**5,013,296**

The bonds mature in 2059, are denominated in KZT and pay a coupon of 0.01% p.a. The receipt occurred simultaneously with the issue of subordinated securities for the same consideration under terms discussed in Note 30.

20 Advances paid under finance lease agreements

	2017 '000 KZT	2016 '000 KZT
Advances paid to suppliers of equipment for finance lease	65,088,201	30,740,415
Cash placed under irrevocable letters of credit	10,766,083	9,248,590
Other	1,367	-
	75,855,651	**39,989,005**

21 Assets to be transferred under finance lease agreements

As at 31 December 2017 the transfer of assets in the amount of KZT 398,286 thousand (2016: KZT 398,286 thousand) was suspended by the Group due to failure of lessees to meet contractual terms of lease agreements. As at 31 December 2017 and 2016 there was an impairment allowance recognised in respect of these assets in the amount of KZT 345,313 thousand and KZT 295,087 thousand, respectively.

	2017 '000 KZT	2016 '000 KZT
Equipment	2,749,546	3,444,976
Impairment allowance	(345,313)	(295,087)
Total assets to be transferred under finance lease agreement	**2,404,233**	**3,149,889**

Movements in the impairment allowance on assets to be transferred under finance lease agreements for the years ended 31 December 2017 and 2016 are as follows:

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	**(295,087)**	**(289,064)**
Net charge for the year	(50,226)	(6,023)
Balance at the end of the year	**(345,313)**	**(295,087)**

22 Other assets

	2017 '000 KZT	2016 '000 KZT
Amount receivable from IFK JSC	64,958,420	67,229,118
Loan commitment fee prepaid	3,441,562	606,588
Trade and other receivables	613,967	113,897
Accrued commission income	560,971	765,424
Other	20,123	137,027
Impairment allowance	(74,690)	(78,298)
Total financial assets	**69,520,353**	**68,773,756**
Foreclosed collateral	1,548,695	3,581,161
Prepayments	1,132,325	265,347
Materials and supplies	35,617	30,366
Taxes recoverable other than income tax	35,057	925,078
Trade and other receivables	32,489	215,701
Settlements with employees	1,942	-
Impairment allowance	(337,771)	(465,515)
Total non-financial assets	**2,448,354**	**4,552,138**
Total other assets	**71,968,707**	**73,325,894**

As at 31 December 2017, included in other assets is the prepayment of commission in the amount of KZT 3,441,562 thousand (31 December 2016: KZT 606,588 thousand) relating to undrawn credit lines in other banks. The amount will be included in the effective interest rate of the loan upon the utilisation of the credit lines.

As at 31 December 2017, included in other assets are overdue receivables of KZT 14,638 thousand overdue for more than 365 days (31 December 2016: KZT 18,358 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance of other assets for the year ended 31 December 2017 are as follows:

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	(543,813)	(1,689,803)
Net (charge)/recovery	(157,340)	535,764
Transfer from finance lease receivables	(17,152)	-
Effect of foreign currency movements	(2,984)	14,491
Write off of other assets	308,828	595,735
Balance at the end of the year	**(412,461)**	**(543,813)**

23 Derivative financial instruments

(a) Group's approach to derivative transactions

The Group had the following derivative financial instruments as at 31 December 2017 and 2016. Embedded derivatives are described in Note 17.

Type of instrument	Notional amount	Maturity	Payments made by the Group	Payments received by the Group	Fair value Asset '000 KZT	Fair value Liability '000 KZT
31 December 2017						
Currency and interest rate swap	USD 322,927,879	28/04/18	Fixed 3% p.a. and KZT 60,000,000 thousand at maturity	USD 322,927,879 at maturity	48,566,034	-
Currency and interest rate swap	USD 50,000,000	07/08/20	Fixed 8.7% p.a. and KZT 9,382,500 thousand at maturity	USD 50,000,000 at maturity	6,739,536	-
Options	KZT 5,019,118 thousand	15/06/18	-	KZT 5,019,118 thousand at maturity	47,934	-
					55,353,504	-

Type of instrument	Notional amount	Maturity	Payments made by the Group	Payments received by the Group	Fair value Asset '000 KZT	Fair value Liability '000 KZT
31 December 2016						
Cross-currency interest rate swap (hedging instrument)	MYR 240,000,000	03/08/17	Fixed 4,95% p.a. and USD 76,093,849 at maturity	Fixed 5.5% p.a. and MYR 240,000,000 at maturity	403,160	(8,394,731)
Currency and interest rate swap	USD 322,927,879	28/04/18	Fixed 3% p.a. and KZT 60,000,000 thousand at maturity	USD 322,927,879 at maturity	50,905,329	-
Currency and interest rate swap	USD 50,000,000	07/08/20	Fixed 8.7% p.a. and KZT 9,382,500 thousand at maturity	USD 50,000,000 at maturity	7,132,545	-
Options	KZT 5,019,118 thousand	15/06/18	-	KZT 5,019,118 thousand at maturity	16,484	-
					58,457,518	(8,394,731)

23 Derivative financial instruments, continued

(a) Group's approach to derivative transactions, continued

The Group may enter into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions for hedging purposes. A swap involves the exchange by the Group with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Group's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the swap positions increases or decreases depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Group's investments.

The Group's ability to meet its objectives in entering into such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses.

(b) Significant foreign currency transactions

If a default occurs by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of the counterparty's insolvency.

Under the currency swap with NBRK, the Group prepaid interest at 3% p.a. amounting to KZT 1,800,000 thousand. Under this contract the NBRK has a prepayment option. The fair value of the financial instrument at initial recognition is included in deferred income and derivative financial instruments. Subsequently amortised prepayment and fair value revaluation are included in profit or loss and derivative financial instruments. Amortised deferred income is included in profit or loss. In determining the fair value, management believes that the early repayment right will not be used.

During the period ended 31 December 2017, management revised assumptions applied to currency swap valuation due to changes in the base market terms. In determining the fair value of swaps management made assumptions that the following rates are appropriate for the Group: ranging from 9.01% to 9.25% in KZT and from 1.43% to 2.16% in USD (2016: from 11.04% to 12.12% in KZT, from 0.63% to 1.80% in USD).

None of derivative financial instruments are impaired or past due.

24 Current accounts and deposits from customers

	2017 '000 KZT	2016 '000 KZT
Term deposits from customer	12,667,670	97,756,492
Current accounts and demand deposits	3,621,349	3,487,451
Deposits served as collateral on loans to customers	568,129	122,516
Accounts pledged as collateral	8,425,081	8,102,011
	25,282,229	**109,468,470**

25 Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"

	2017 '000 KZT	2016 '000 KZT
Loans from the Government of the Republic of Kazakhstan	13,236,459	13,236,459
Loans from the SWF "Samruk-Kazyna"	25,162,803	24,315,883
	38,399,262	**37,552,342**

As at 31 December 2017 and 2016 the loans from the Government of the Republic of Kazakhstan and the SWF "Samruk-Kazyna" comprised long-term loans granted from the state budget to support certain industries, including textile, gas processing and chemicals. The funds were used to provide loans to these entities at below market rates.

As at 31 December 2017, included in loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna" is accrued interest expense of KZT 15,362 thousand (31 December 2016: KZT 15,519 thousand).

26 Loans from banks and other financial institutions

	2017 '000 KZT	2016 '000 KZT
Loans with fixed interest rate		
Loans from OECD banks	17,980,040	19,622,272
Loans from non-OECD banks	472,305,966	546,690,178
Total loans with fixed interest rate	**490,286,006**	**566,312,450**
Loans with floating interest rate		
Loans from OECD banks	8,895,344	14,374,924
Loans from non-OECD banks	397,328,850	371,804,686
Total loans with floating interest rate	**406,224,194**	**386,179,610**
Less unamortised portion of borrowing costs	(19,259,000)	(34,426,627)
	877,251,200	**918,065,433**

During the year, the Group recognised expenses in the amount of KZT 7,264,803 thousand from early repayment of loans from banks and other financial institutions (Note 9).

As at 31 December 2017, included in loans from banks and other financial institutes is accrued interest expense of KZT 12,231,327 thousand (31 December 2016: KZT 13,505,951 thousand).

27 Loans from the Parent Company

	2017 '000 KZT	2016 '000 KZT
Loans from the Parent Company	91,036,314	35,177,297
	91,036,314	**35,177,297**

As at 31 December 2017 the loans from the Parent Company comprised seven long-term loans issued by NMH Baiterek JSC.

A loan of KZT 17,500,000 thousand was received in April 2017 at the interest rate of 0.15% per annum and repayable on 27 March 2027. The loan has been issued for financing as a part of the Uniform Program of Business Development and Support "Business Roadmap 2020". The loan was initially recognised at fair value, which was measured, by discounting its contractual cash flows, using the market interest rate. Discount of KZT 7,407,689 thousand between the fair value and consideration received was recognised as a government grant (Note 28).

27 Loans from the Parent Company, continued

A loan of KZT 18,600,000 thousand was received in April 2017 at the interest rate of 0.08% per annum and was repayable on 13 April 2037. The loan intended to finance the modification of the fleet of passenger cars of Passenger Transportation JSC. The loan was initially recognised at the fair value, which was measured, by discounting its contractual cash flows, using an estimated relevant market interest rate. The discount of KZT 11,830,744 thousand between the fair value and consideration received was recognised as a government grant (Note 28).

A loan of KZT 80,000,000 thousand was received in April 2017 at the interest rate of 0.15% per annum and was repayable on 20 April 2037. The loan has been issued to finance the investment project as a part of implementation of the State Program of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019. The loan was initially recognised at fair value, which was measured, by discounting its contractual cash flows, using an estimated relevant market interest rate. The discount of KZT 50,615,726 thousand between the fair value and consideration received was recognised as a government grant (Note 28).

A loan of KZT 10,000,000 thousand was received in December 2017 at the interest rate of 0.15% per annum and was repayable on 10 December 2037. The loan has been issued to finance domestic car manufacturers through conditional financing of second-tier banks to further finance individuals - buyers of vehicles manufactured in Kazakhstan; and DBK-Leasing JSC for the latter to provide financing to legal entities and individual entrepreneurs, which take for lease vehicles of special purpose, except for agricultural vehicles produced in Kazakhstan. The loan was initially recognised at fair value, which was measured, by discounting its contractual cash flows, using an estimated relevant market interest rate. The discount of KZT 6,454,393 thousand between the fair value and consideration received was recognised as a government grant (Note 28).

28 Government grants

The Group recorded as government grants the benefits obtained by means of low-interest rate loans from the Parent Company, Baiterek Development JSC and SWF "Samruk-Kazyna".

	2017 '000 KZT	2016 '000 KZT
Balance at the beginning of the year	**118,332,087**	**56,822,460**
Government grant on loans received from the Government through the Parent Company (Notes 27,30)	98,159,215	86,934,843
Utilisation of government grant upon issuance of low interest loans to commercial banks (Note 9)	-	(7,764,577)
Utilisation of government grant upon issuance of loans to other borrowers (Note 9)	-	(1,920,831)
Utilisation of government grant upon issuance of loans to subsidiary	(20,582,593)	(12,877,041)
Utilisation of government grant upon provision of financing under finance lease agreements	(3,572,812)	(1,659,350)
Amortisation for the year (Note 9)	(6,888,125)	(1,210,409)
Net foreign exchange gain	-	6,992
Balance at the end of the year	**185,447,772**	**118,332,087**

The Group bears responsibility for allocation of benefits to the end users through setting low interest rates on loans. Subsequent to initial recognition the Group allocates to profit or loss an amount corresponding to the debt relief provided to the borrowers.

During the year ended 31 December 2017 the government grants transferred to profit or loss (Note 9) amounted to KZT 6,888,125 thousand (31 December 2016: KZT 1,210,409 thousand) and were included in other expenses. In addition to said amount, during the year ended 31 December 2016, KZT 9,685,408 thousand were transferred to profit or loss to compensate the Group losses incurred as a result of issue of loans at the below market rates according to the terms of the programs. Thus, the excess of benefits from use of government grants over the expenses from issue of loans in 2016 amounted to KZT 2,197,529 thousand (Note 9).

28 Government grants, continued

As at 31 December 2017 and 2016 allocation of Government grants is broken down into the following programs:

	2017 '000 KZT	2016 '000 KZT
Financing of the projects under the State Program of Industrial-Innovative Development of the Republic of Kazakhstan or 2015-2019	96,462,801	50,097,604
Nurly Zhol - financing export and pre-export lending, domestic car and passenger car manufacturers	29,033,454	30,723,630
Long-term lease financing under the Uniform Program of Business Development and Support "Business Roadmap 2020"	17,830,552	12,975,951
Nurly Zhol –lease financing of modification of the fleet of passenger cars of Passenger Transportation JSC	16,215,562	4,340,324
Nurly Zhol - financing export and pre-export lending	10,015,064	10,568,637
Financing of domestic car manufacturers through conditional financing of second-tier banks for further financing of individuals - buyers of motor vehicles manufactured in Kazakhstan as well as leasing financing of legal entities and individual entrepreneurs, which take for lease of motor vehicles and automotive equipment of special purpose, except for agricultural vehicles produced in Kazakhstan	5,163,514	-
Nurly Zhol – lease financing of legal entities and individual entrepreneurs that lease motor vehicles and special-purpose automotive equipment, except for agricultural vehicles produced in Kazakhstan	4,716,594	3,466,354
Incentive of export of domestic locomotives by leasing financing of export deliveries by Locomotive Kurastyru Zauyty JSC	2,190,974	1,869,879
Financing of private entrepreneurship projects in the processing industry	1,617,138	1,787,445
Nurly Zhol – lease financing of medium and large businesses (including non-residents). which export domestic goods and import products manufactured in the Republic of Kazakhstan	1,222,385	1,280,815
Financing certain industries, including textile, gas processing and chemicals	906,153	1,129,692
Financing, including replacement of sources of financing of end-use borrowers who implement investment projects in manufacturing industries	73,581	91,756
Balance at the end of the year	**185,447,772**	**118,332,087**

29 Debt securities issued

	2017 '000 KZT	2016 '000 KZT
Debt securities with fixed interest rate		
Eurobonds denominated in USD	485,673,709	487,076,672
Eurobonds denominated in KZT	100,000,000	-
Islamic bonds Sukuk Al-Murabaha in MYR	-	18,209,918
Bonds denominated in KZT	224,008,000	232,500,000
	809,681,709	**737,786,590**
Unamortised discount, net	(17,310,348)	(19,818,659)
	792,371,361	**717,967,931**
Accrued interest	6,586,174	9,598,574
	798,957,535	**727,566,505**

29 Debt securities issued

As at 31 December 2017 and 2016, debt securities issued comprised the following:

Type of instrument	Coupon rate	Effective rate	Date of issue	Maturity	Carrying amount 31.12.2017	Carrying amount 31.12.2016
Eurobonds XS0220743776	6.50%	6.84%	03.06.2005	03.06.2020	33,145,273	33,149,904
Eurobonds XS0248160102	6.00%	6.27%	23.03.2006	23.03.2026	32,339,199	32,382,318
Eurobonds XS0860582435, US25159XAB91	4.125%	4.98%	10.12.2012	10.12.2022	405,414,172	403,875,770
Islamic bonds "Sukuk Al-Murabaha" MYBVI1202859	5.50%	5.78%	03.08.2012	03.08.2017	-	18,209,918
Bonds KZP01Y10E822	8.13%	8.13%	29.12.2014	29.12.2024	19,995,341	19,995,341
Bonds KZP02Y10E820	14.00%	14.01%	25.05.2016	25.05.2026	65,843,003	65,841,942
Bonds KZP01Y03F261	14.00%	14.02%	10.06.2016	10.06.2019	30,218,968	30,214,629
Bonds KZP03Y15E827	15.00%	15.01%	28.07.2016	28.07.2031	15,937,320	15,937,160
Bonds KZP02Y10F264	14.00%	14.01%	01.08.2016	01.08.2026	18,499,956	18,499,488
Bonds KZ2C0M11F378	14.00%	14.02%	03.08.2016	30.06.2017	-	89,460,035
Bonds KZP02Y05F512	10.50%	10.53%	31.05.2017	31.05.2022	20,151,841	-
Bonds KZP03Y15F510	10.50%	10.95%	06.06.2017	06.06.2024	30,179,604	-
Bonds KZP01Y07F510	11.25%	11.27%	22.08.2017	22.08.2032	9,177,230	-
Bonds KZP04Y13F519	11.25%	11.26%	23.08.2017	23.08.2030	9,178,811	-
Bonds KZP05Y11F518	11.00%	11.50%	24.08.2017	24.08.2028	9,166,989	-
Bonds XS1734574137	9.50%	9.78%	14.12.2017	14.12.2020	99,709,828	-
Total					**798,957,535**	**727,566,505**

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2017 '000 KZT
Balance at 31 January 2017	**727,566,505**
Changes due to cash flows from financing activities	
Proceeds from debt securities issued	176,508,000
Repurchase/redemption of debt securities issued	(104,836,907)
Total changes due to cash flows from financing activities	**71,671,093**
Other changes	
Interest expense	54,845,811
Interest paid	(54,721,076)
Effect of changes in exchange rates	(404,798)
Balance at 31 December 2017	**798,957,535**

30 Subordinated debt

	2017 '000 KZT	2016 '000 KZT
Subordinated debt with fixed interest rate		
Nominal in KZT	364,859,334	364,859,334
Unamortised discount, net	(272,697,607)	(278,122,028)
	92,161,727	**86,737,306**
Accrued interest	94,275	94,275
	92,256,002	**86,831,581**

In case of bankruptcy, the repayment of subordinated debt will be made after repayment in full of all other Group's liabilities.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	2017 '000 KZT
Balance at 31 January 2017	**86,831,581**
Interest expense	5,810,907
Interest paid	(386,486)
Balance at 31 December 2017	**92,256,002**

31 Other liabilities

	2017 '000 KZT	2016 '000 KZT
Financial liabilities		
Funds placed by customers as security for letters of credit	13,453,032	14,484,775
Accrued commission expenses	1,323,621	123,064
Other accrued expenses and accounts payable	820,871	1,103,115
Payables to employees	541,219	424,618
Vacation reserve	140,513	153,959
Total financial liabilities	**16,279,256**	**16,289,531**
Non-financial liabilities		
Advances received under finance leases	8,527,684	3,420,011
Payables to suppliers	3,927,892	592,691
Prepayments	2,881,966	310,507
Deferred income	483,514	776,488
Tax liabilities other than income tax	399,722	306,412
Other accrued liabilities and accounts payable	878,206	730,230
Total non-financial liabilities	**17,098,984**	**6,136,339**
	33,378,240	**22,425,870**

32 Deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2017 and as at 31 December 2016.

(a) Recognised deferred tax assets and liabilities

Movement in temporary differences during the years ended 31 December 2017 and 2016 are presented as follows:

'000 KZT	Balance at 1 January 2017	Recognised in profit or loss	Recorded in equity	Balance at 31 December 2017
Property, plant and equipment and intangible assets	(11,203)	23,157	-	11,954
Loans to banks	15,660,154	(1,824,782)	-	13,835,372
Loans to customers	12,604,129	4,540,810	-	17,144,939
Other assets	11,300	3,670	-	14,970
Loans from the Parent Company	(46,196,099)	(13,045,110)	-	(59,241,209)
Loans from banks and other financial institutions	(3,566,478)	1,736,712	-	(1,829,766)
Government grants	18,861,402	9,778,223	-	28,639,625
Loans from the Government of the Republic of Kazakhstan and the SWF Samruk-Kazyna	(1,522,798)	236,082	-	(1,286,716)
Debt securities issued	(13,690)	69	-	(13,621)
Derivative financial instruments	(11,183,867)	450,592	(1,668)	(10,734,943)
Other liabilities	1,283,243	(1,189,318)	-	93,925
Net deferred tax assets/liabilities	**(14,073,907)**	**710,105**	**(1,668)**	**(13,365,470)**

Movement in temporary differences during the years ended 31 December 2017 and 2016 are presented as follows:

'000 KZT	Balance at 1 January 2016	Recognised in profit or loss	Recorded in equity	Balance at 31 December 2016
Cash and cash equivalents	-	(856,616)	856,616	-
Property, plant and equipment and intangible assets	(1,897)	(9,306)	-	(11,203)
Loans to banks	14,134,556	1,525,598	-	15,660,154
Loans to customers	8,121,929	4,204,790	277,410	12,604,129
Other assets	45,538	(34,238)	-	11,300
Loans from the Parent Company	(32,832,321)	(13,363,778)	-	(46,196,099)
Loans from banks and other financial institutions	(5,263,513)	1,697,035	-	(3,566,478)
Government grants	8,859,787	10,001,615	-	18,861,402
Loans from the Government of the Republic of Kazakhstan and the SWF Samruk-Kazyna	(1,750,770)	227,972	-	(1,522,798)
Debt securities issued	(18,234)	4,544	-	(13,690)
Derivative financial instruments	(10,896,165)	(283,641)	(4,061)	(11,183,867)
Other liabilities	302,627	980,616	-	1,283,243
Net deferred tax assets/liabilities	**(19,298,463)**	**4,094,591**	**1,129,965**	**(14,073,907)**

32 Deferred tax liabilities, continued

(b) Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2017 '000 KZT	2016 '000 KZT
Embedded derivatives	78,207	118,312
Finance lease receivables	1,912,272	2,169,326
Loans from the Parent Company	473,159	260,267
Off-balance interest income on finance lease receivables	79,868	81,218
Other deferred tax assets	13,313	16,315
	2,556,819	**2,645,438**

Temporary differences of KZT 2,556,819 thousand (2016: KZT 2,645,438 thousand) are not recognised due to uncertainties concerning their realisation.

33 Share capital

(a) Issued capital

As at 31 December 2017 the authorised and issued share capital comprised 2,106,645 (31 December 2016: 2,106,020 ordinary shares).

During the year ended 31 December 2017, the Bank issued 625 ordinary shares with a nominal value of KZT 40,000,000 each (31 December 2016: 500 ordinary shares with a nominal value of KZT 40,000,000 each). All ordinary shares were issued at their nominal value.

Nominal values and number of ordinary shares at 31 December were the following:

2017	**Number of ordinary shares**	**Nominal value per share, KZT**	**Paid-up capital '000 KZT**
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	625	40,000,000	25,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2017	**2,106,645**		**398,667,511**

2016	**Number of ordinary shares**	**Nominal value per share, KZT**	**Paid-up capital '000 KZT**
Ordinary shares	1,819,519	50,000	90,975,950
Ordinary shares	250,000	668,000	167,000,000
Ordinary shares	30,000	1,000,000	30,000,000
Ordinary shares	5,000	5,000,000	25,000,000
Ordinary shares	1,000	40,000,000	40,000,000
Ordinary shares	500	40,000,000	20,000,000
Ordinary shares	1	691,560,619	691,561
At 31 December 2016	**2,106,020**		**373,667,511**

33 Share capital, continued

(b) Net assets per ordinary share

According to the Rules of Listing of the Kazakh Stock Exchange (the Rules), the Group disclosed net assets per ordinary share calculated in accordance with these Rules:

	2017 '000 KZT	2016 '000 KZT
Net assets per ordinary share	193.65	176.18

As at 31 December 2017 net assets per ordinary share was determined by dividing amount of consolidated equity decreased by the carrying amount of intangible assets, which the Group will not be able to sell to third parties, of KZT 407,955,166 thousand (31 December 2016: KZT 371,032,329 thousand) by the total number of outstanding shares of 2,106,645 (31 December 2016: 2,106,020 shares).

(c) Earnings per share

	2017 '000 KZT	2016 '000 KZT
Net profit for the year	4,761,226	6,650,543
Issued ordinary shares at the beginning of the year	2,106,020	2,105,520
Effect of shares issued during the year	31	16
Weighted average number of ordinary shares for the year ended 31 December	**2,106,051**	**2,105,536**
Earnings per share		
Basic and diluted earnings per share (KZT)	**2,261**	**3,159**

During the reporting period, no financial instruments with a dilutive effect were outstanding. Therefore, basic earnings per share equal diluted earnings per share.

The Group's ordinary shares are not traded in a public market, however the Group voluntary decided to disclose earnings per share calculated in accordance with IAS 33 *Earnings per share*.

(d) Nature and purpose of reserves

Hedging reserve

The hedging reserve comprises the effective portion of any fair value differences arising from hedges of a cash flow hedge.

Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(e) Dividends

In accordance with Kazakhstan legislation the Group's distributable reserves are limited to the balance of retained earnings as recorded in the Group's financial statements. During the year ended 31 December 2017, dividends of KZT 1,995,163 thousand were declared and paid (2016: KZT 1,710,931 thousand). Dividends per ordinary share are KZT 947,36 (2016: KZT 812.59).

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
LIABILITIES								
Current accounts and deposits from customers	12,614,558	-	-	-	-	12,667,671	-	25,282,229
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-	4,300,430	27,467,494	6,631,338	-	38,399,262
Loans from the Parent Company	-	-	-	-	-	91,036,314	-	91,036,314
Loans from banks and other financial institutions	-	258,659,215	150,638,716	528,304	272,738,856	194,686,109	-	877,251,200
Debt securities issued	-	-	-	-	588,640,082	210,317,453	-	798,957,535
Subordinated debt	-	-	-	-	-	92,256,002	-	92,256,002
Other financial liabilities	16,279,256	-	-	-	-	-	-	16,279,256
	28,893,814	**258,659,215**	**150,638,716**	**4,828,734**	**888,846,432**	**607,594,887**	**-**	**1,939,461,798**
	137,136,129	**506,606,188**	**63,609,647**	**88,496,651**	**(671,567,634)**	**359,778,136**	**1,144,972**	**485,204,089**

34 Risk management

Management of risk is fundamental to the business of the Group and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, which includes price, interest rate and currency risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks are managed and controlled through a system of Credit and Investment Committees and Assets and Liabilities management committee (ALCO).

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Apart from the standard credit and market risk analysis, organisation departments which are responsible for this monitor financial and non-financial risks by holding regular meetings with operational units in order to obtain judgments in their areas of expertise.

In compliance with the Group's internal documentation the Risk Department and internal audit function frequently prepare reports, which cover the Group's significant risks management. The reports include observations as to assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The management of interest rates risk, component of market risk, by monitoring interest rate gap is supplemented by monitoring the sensitivity of the net interest margin to various standard and non-standard interest rate scenarios.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

'000 KZT	Non-interest bearing	Less than 3 month	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2017								
ASSETS								
Cash and cash equivalents	96,364,685	356,231,157	-	-	-	-	-	452,595,842
Placements with banks and other financial institutions	144,905	28,653,150	43,443,650	1,976,619	-	-	-	74,218,324
Loans to banks					13,538,743	54,461,238	-	67,999,981
Loans to customers	-	371,576,546	149,303,147	60,965,937	126,870,959	783,617,978	324,002	1,492,658,569
Finance lease receivables	-	5,815,594	11,145,970	5,221,849	32,493,926	40,795,456	820,970	96,293,765
Available-for-sale financial assets	-	2,988,956	10,355,596	25,160,980	44,375,170	83,116,795	-	165,997,497
Held-to-maturity investments	-	-	-	-	-	5,381,556	-	5,381,556
Other financial assets	69,520,353	-	-	-	-	-	-	69,520,353
	166,029,943	765,265,403	214,248,363	93,325,385	217,278,798	967,373,023	1,144,972	2,424,665,887

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
31 December 2016								
ASSETS								
Cash and cash equivalents	54,550,245	154,243,600	-	-	-	-	-	208,793,845
Placements with banks and other financial institutions	533,157	19,404,121	59,360,496	15,703,360	40,272,097	-	-	135,273,231
Loans to banks	-	-	135,643,632	-	22,560,743	54,708,440	-	212,912,815
Loans to customers	-	381,658,061	113,102,584	37,055,923	149,227,887	709,698,375	275,473	1,391,018,303
Finance lease receivables	-	2,248,722	9,870,388	2,895,824	20,391,308	7,485,501	1,212,217	44,103,960
Available-for-sale financial assets	-	3,085,470	4,662,242	41,559,743	43,023,891	183,324,921	-	275,656,267
Held-to-maturity investments	-	-	-	-	-	5,013,296	-	5,013,296
Other financial assets	68,773,756	-	-	-	-	-	-	68,773,756
	123,857,158	560,639,974	322,639,342	97,214,850	275,475,926	960,230,533	1,487,690	2,341,545,473

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Overdue	Carrying amount
LIABILITIES								
Current accounts and deposits from customers	11,711,979	-	81,524,082	5,683,860	-	10,548,549	-	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-	-	23,721,387	13,830,955	-	37,552,342
Loans from the Parent Company	-	-	-	-	-	35,177,297	-	35,177,297
Loans from banks and other financial institutions	-	214,859,862	165,398,421	7,421,261	323,516,137	206,869,752	-	918,065,433
Debt securities issued	-	-	89,460,036	18,209,918	63,364,533	556,532,018	-	727,566,505
Subordinated debt	-	-	-	-	-	86,831,581	-	86,831,581
Other financial liabilities	16,289,531	-	-	-	-	-	-	16,289,531
	28,001,510	**214,859,862**	**336,382,539**	**31,315,039**	**410,602,057**	**909,790,152**	**-**	**1,930,951,159**
	95,855,648	**345,780,112**	**(13,743,197)**	**65,899,811**	**(135,126,131)**	**50,440,381**	**1,487,690**	**410,594,314**

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2017 and 2016.

	2017 Average effective interest rate			2016 Average effective interest rate		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	8.44%	0.22%	4.50%	9.49%	0.23%	2.00%
Placements with banks and other financial institutions	8.79%	7.69%	-	10.63%	5.78%	-
Loans to banks	8.44%	-	-	8.84%	-	-
Reverse repo agreements	9.86%	-	-	11.14%	-	-
Loans to customers	8.20%	6.07%	6.13%	7.95%	6.08%	6.21%
Finance lease receivables	9.54%	-	-	7.46%	-	-
Available-for-sale financial assets	7.13%	3.30%	-	12.18%	4.12%	-
Held-to-maturity investments	7.67%	-	-	7.67%	-	-
Interest bearing liabilities						
Current accounts and deposits from customers	-	5.53%	-	1.42%	5.40%	-
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	3.46%	-	-	3.43%	-	-
Loans from the Parent Company	9.32%	-	-	9.84%	-	-
Loans from banks and other financial institutions	7.82%	3.77%	1.74%	6.82%	5.00%	4.40%
Debt securities issued	12.04%	4.50%	-	13.59%	5.20%	5.78%
Subordinated debt	6.71%	-	-	6.71%	-	-

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

34 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Cash flow interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2017 and 2016, is as follows:

	2017		2016	
KZT'000	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	4,041,285	4,041,285	2,483,544	2,483,544
100 bp parallel decrease	(4,041,285)	(4,041,285)	(2,483,544)	(2,483,544)

Fair value interest rate sensitivity analysis

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates, based on positions existing as at 31 December 2017 and 2016 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2017		2016	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	-	(6,358,368)	-	(15,276,700)
100 bp parallel decrease	-	6,787,522	-	17,042,604

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2017:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	272,612,449	175,892,768	3,813,809	276,816	452,595,842
Placements with banks and other financial institutions	33,394,494	40,823,830	-	-	74,218,324
Loans to banks	67,999,981	-	-	-	67,999,981
Loans to customers	644,090,189	830,171,269	15,956,434	2,440,677	1,492,658,569
Finance lease receivables	96,293,765	-	-	-	96,293,765
Available-for-sale financial assets	55,450,310	110,547,187	-	-	165,997,497
Held-to-maturity investments	5,381,556	-	-	-	5,381,556
Advances paid under finance lease agreements	75,855,651	-	-	-	75,855,651
Assets to be transferred under finance lease agreements	2,404,233	-	-	-	2,404,233
Equipment and intangible assets	570,521	-	-	-	570,521
Other assets	32,030,653	39,935,519	2,535	-	71,968,707
Current tax asset	2,243,028	-	-	-	2,243,028
Derivative financial instruments*	2,211,880	-	-	-	2,211,880
Total assets	**1,290,538,710**	**1,197,370,573**	**19,772,778**	**2,717,493**	**2,510,399,554**

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Liabilities					
Current accounts and deposits from customers	3,314,492	21,967,492	245	-	25,282,229
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	38,399,262	-	-	-	38,399,262
Loans from the Parent Company	91,036,314	-	-	-	91,036,314
Loans from banks and other financial institutions	21,075,386	825,629,217	15,235,505	15,311,092	877,251,200
Government grants	185,447,772	-	-	-	185,447,772
Debt securities issued	328,058,891	470,898,644	-	-	798,957,535
Subordinated debt	92,256,002	-	-	-	92,256,002
Other liabilities	12,407,561	13,109,360	4,587,854	3,273,465	33,378,240
Deferred tax liabilities	13,365,470	-	-	-	13,365,470
Derivative financial instruments*	-	1,410,998	-	-	1,410,998
Total liabilities	**785,361,150**	**1,333,015,711**	**19,823,604**	**18,584,557**	**2,156,785,022**
Net on balance sheet positions as at 31 December 2017	**505,177,560**	**(135,645,138)**	**(50,826)**	**(15,867,064)**	**353,614,532**
Notional amount of derivative liabilities as at 31 December 2017	(69,382,500)	123,935,122	-	-	54,552,622
Net on and off balance sheet positions as at 31 December 2017	**435,795,060**	**(11,710,016)**	**(50,826)**	**(15,867,064)**	**408,167,154**

*The notional amounts and fair value adjustments of the derivative financial instruments are presented separately as off balance and on balance components, respectively, for better presentation of net positions in foreign currencies that is used as a basis for sensitivity analysis.

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the currency structure of assets and liabilities at 31 December 2016:

	KZT KZT'000	USD KZT'000	EUR KZT'000	Other KZT'000	Total KZT'000
Assets					
Cash and cash equivalents	147,094,243	54,241,613	5,280,174	2,177,815	208,793,845
Placements with banks and other financial institutions	54,276,328	80,536,707	460,196	-	135,273,231
Loans to banks	212,912,815	-	-	-	212,912,815
Loans to customers	494,582,872	876,257,861	16,669,835	3,507,735	1,391,018,303
Finance lease receivables	44,103,960	-	-	-	44,103,960
Available-for-sale financial assets	69,590,353	206,065,914	-	-	275,656,267
Held-to-maturity investments	5,013,296	-	-	-	5,013,296
Advances paid under finance lease agreements	39,989,005	-	-	-	39,989,005
Assets to be transferred under finance lease agreements	3,149,889	-	-	-	3,149,889
Equipment and intangible assets	437,459	-	-	-	437,459
Other assets	34,491,997	38,831,667	2,230	-	73,325,894
Current tax asset	1,048,373	-	-	-	1,048,373
Derivative financial instruments*	5,969,900	-	-	600,763	6,570,663
Total assets	**1,112,660,490**	**1,255,933,762**	**22,412,435**	**6,286,313**	**2,397,293,000**

	Tenge KZT'000	USD KZT'000	Euro KZT'000	Other currencies KZT'000	Total KZT'000
Liabilities					
Current accounts and deposits from customers	88,180,960	19,598,710	1,688,800	-	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	37,552,342	-	-	-	37,552,342
Loans from the Parent Company	35,177,297	-	-	-	35,177,297
Loans from banks and other financial institutions	20,334,669	878,056,023	16,027,014	3,647,727	918,065,433
Government grants	118,332,087	-	-	-	118,332,087
Debt securities issued	239,948,596	469,407,991	-	18,209,918	727,566,505
Subordinated debt	86,831,581	-	-	-	86,831,581
Other liabilities	7,147,081	11,215,677	4,063,112	-	22,425,870
Deferred tax liabilities	14,073,907	-	-	-	14,073,907
Derivative financial instruments*	-	3,942,690	-	-	3,942,690
Total liabilities	**647,578,520**	**1,382,221,091**	**21,778,926**	**21,857,645**	**2,073,436,182**
Net on balance sheet positions as at 31 December 2016	**465,081,970**	**(126,287,329)**	**633,509**	**(15,571,332)**	**323,856,818**
Notional amount of derivative liabilities as at 31 December 2016*	(69,333,800)	98,931,814	-	17,836,800	47,434,814
Net on and off balance sheet positions as at 31 December 2016	**395,748,170**	**(27,355,515)**	**633,509**	**2,265,468**	**371,291,632**

34 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

An analysis of sensitivity of profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions, and embeded derivatives, existing as at 31 December 2017 and 2016 and a simplified scenario of change in USD, Euro and other currencies to Kazakhstan Tenge exchange rates is as follows:

	2017		2016	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT (2016: 20%)	(1,873,603)	(1,873,603)	(4,376,882)	(4,376,882)
5% depreciation of USD against KZT	468,401	468,401	1,094,221	1,094,221
20% appreciation of EUR against KZT (2016: 20%)	(8,132)	(8,132)	101,361	101,361
5% depreciation of EUR against KZT	2,033	2,033	(25,340)	(25,340)
20% appreciation of other currencies against KZT (2016: 20%)	(2,538,730)	(2,538,730)	362,475	362,475
5% depreciation of other currencies against KZT	634,683	634,683	(90,619)	(90,619)

This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance position and off balance position exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. Loans to customers, finance lease receivables, placements with banks and other financial institutions, amounts receivable under reverse repurchase agreements, available-for-sale financial assets and accounts receivable are subject to credit risk. The Group's exposure is monitored on an ongoing basis.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

34 Risk management, continued

(c) Credit risk, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2016:

KZT'000

				Related amounts not offset in the statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets /liabilities**	**Gross amount of recognised financial asset/liability offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral (received)/pledged**	**Net amount**
Financial assets						
"Reverse repo" agreements with original maturities of less than three months	39,223,760	-	39,223,760	(39,223,760)	-	-
Derivative financial instruments	403,160	-	403,160	(403,160)	-	-
Loans to customers	11,783,546	-	11,783,546	-	(122,516)	11,661,030
Total financial assets	**51,410,466**	**-**	**51,410,466**	**(39,626,920)**	**(122,516)**	**11,661,030**
Financial liabilities						
Derivative financial instruments	(8,394,731)	-	(8,394,731)	403,160	-	(7,991,571)
Current accounts and deposits from customers	(122,516)	-	(122,516)	122,516	-	-
Total financial liabilities	**(8,517,247)**	**-**	**(8,517,247)**	**525,676**	**-**	**(7,991,571)**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis:

- derivative assets and liabilities – fair value
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The amounts in the above tables that are offset in the consolidated statement of financial position are measured on the same basis.

34 Risk management, continued

(c) Credit risk, continued

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis, focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments, depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures, and regularly reassesses the creditworthiness of its customers. The review is based on the most recent financial statements and other information submitted by the borrower or otherwise obtained by the Group.

Apart from individual customer analysis, the credit portfolio is assessed by the departments responsible for risk management with regard to credit concentration and market risks

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk at the reporting date is as follows:

	2017 KZT'000	2016 KZT'000
ASSETS		
Cash and cash equivalents	452,595,485	208,793,705
Placements with banks and other financial institutions	74,218,324	135,273,231
Loans to banks	67,999,981	212,912,815
Loans to customers	1,492,658,569	1,391,018,303
Finance lease receivables	96,293,765	44,103,960
Available-for-sale financial assets	165,997,497	275,656,267
Held-to-maturity investments	5,381,556	5,013,296
Advances paid under finance lease agreements	75,855,651	39,989,005
Assets to be transferred under finance lease agreements	2,404,233	3,149,889
Other financial assets	69,520,353	68,773,756
Derivative financial instruments	55,353,504	58,457,518
Total maximum exposure	**2,558,278,918**	**2,443,141,745**

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 36.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

34 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosured in the table below unless they are offset in the statement of financial position.

The Group's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owned by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

The Group's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

34 Risk management, continued

(c) Credit risk, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2017:

KZT'000

Types of financial assets/liabilities	Gross amounts of recognised financial assets /liabilities	Gross amount of recognised financial asset/liability offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)	Related amounts not offset in the statement of financial position: Cash collateral (received)/pledged	Net amount
Financial assets						
"Reverse repo" agreements with original maturities of less than three months	158,541,446	-	158,541,446	(158,541,446)	-	-
Loans to customers	12,756,387	-	12,756,387	-	(568,129)	12,188,258
Total financial assets	**171,297,833**	**-**	**171,297,833**	**(158,541,446)**	**(568,129)**	**12,188,258**
Financial liabilities						
Current accounts and deposits from customers	(568,129)	-	(568,129)	568,129	-	-
Total financial liabilities	**(568,129)**	**-**	**(568,129)**	**568,129**	**-**	**-**

34 Risk management, continued

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/-or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

34 Risk management, continued

(d) Liquidity risk, continued

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2017. Unrecognised commitments are discussed in Note 37.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Carrying value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	3,789,669	-	168,741	2,342,943	23,480,935	29,782,288	25,282,229
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	2,300	8,660	377,166	4,354,459	40,575,162	45,317,747	38,399,262
Loans from the Parent Company	-	13,125	145,842	154,664	227,234,152	227,547,783	91,036,314
Loans from banks and other financial institutions	46,610,664	571,990	18,540,430	41,958,590	897,541,073	1,005,222,747	877,251,200
Debt securities issued	1,125,000	3,676,258	24,581,943	29,383,201	1,106,941,127	1,165,707,529	798,957,535
Subordinated debt	-	118,243	75,000	193,243	371,454,007	371,840,493	92,256,002
Other financial liabilities	806,777	4,705,238	4,710,765	586,425	5,470,051	16,279,256	16,279,256
Derivative financial instruments							
Inflow	-	-	(107,318,622)	-	(16,616,500)	(123,935,122)	(55,353,504)
Outflow	-	-	60,000,000	-	9,382,500	69,382,500	-
Total liabilities	52,334,410	9,093,514	1,281,265	78,973,525	2,665,462,507	2,807,145,221	1,884,108,294
Credit related commitments	381,912,906	-	-	-	-	381,912,906	-

The Group assumes that will be able to obtain sufficient funding from a variety of sources, mainly being drawings on unutilised credit facilities opened by foreign banks and loans from the Parent Company in case of claims under any commitments. Moreover, the Group on a constant basis makes assessments of liquidity risk to avoid any payment shortfalls.

34 Risk management, continued

(d) Liquidity risk, continued

The following table shows liabilities on a consolidated basis by remaining contractual maturity dates as at 31 December 2016. Unrecognised commitments are discussed in Note 37.

	On demand and less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 6 months KZT'000	6 months to 12 months KZT'000	More than 1 year KZT'000	Total KZT'000	Carrying value KZT'000
Non-derivative liabilities							
Current accounts and deposits from customers	3,935,813	-	11,484,673	78,472,907	20,155,763	114,049,156	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	2,300	8,660	377,499	54,793	45,317,747	45,760,999	37,552,342
Loans from the Parent Company	-	-	63,396	68,866	99,356,042	99,488,304	35,177,297
Loans from banks and other financial institutions	40,623,212	-	12,204,876	59,458,066	959,683,777	1,071,969,931	918,065,433
Debt securities issued	1,125,000	2,693,577	99,322,090	51,452,539	892,022,180	1,046,615,386	727,566,505
Subordinated debt	-	118,243	75,000	193,243	371,851,743	372,238,229	86,831,581
Other financial liabilities	624,037	107,036	271,003	11,183,495	4,103,960	16,289,531	16,289,531
Derivative financial instruments							
Inflow	-	-	-	(17,836,800)	(124,293,133)	(142,129,933)	(58,457,518)
Outflow	-	-	-	25,361,319	69,382,500	94,743,819	8,394,731
Total liabilities	**46,310,362**	**2,927,516**	**123,798,537**	**208,408,428**	**2,337,580,579**	**2,719,025,422**	**1,880,888,372**
Credit related commitments	**182,053,857**	-	-	-	-	**182,053,857**	-

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34 Risk management, continued

(e) Maturity

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2017.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	294,054,396	158,541,446	-	-	-	-	-	-	452,595,842
Placements with banks and other financial institutions	-	26,919,954	1,878,102	45,420,268	-	-	-	-	74,218,324
Loans to banks	-	-	-	-	13,538,743	54,461,238	-	-	67,999,981
Loans to customers	-	-	29,473,064	78,774,360	211,489,089	1,172,598,054	-	324,002	1,492,658,569
Finance lease receivables	-	600,178	5,215,416	8,181,832	36,582,188	44,893,181	-	820,970	96,293,765
Available-for-sale financial assets	-	-	-	29,318,634	53,562,068	83,116,795	-	-	165,997,497
Held-to-maturity investments	-	-	-	-	-	5,381,556	-	-	5,381,556
Advances paid under finance lease agreements	-	5,052,731	3,884,012	27,206,014	39,712,894	-	-	-	75,855,651
Assets to be transferred under finance lease agreements	-	2,404,233	-	-	-	-	-	-	2,404,233
Equipment and intangible assets	-	-	-	-	-	-	570,521	-	570,521
Other assets	65,029,219	3,912,999	194,590	617,519	968,215	-	1,243,383	2,782	71,968,707
Current tax asset	-	-	-	2,243,028	-	-	-	-	2,243,028
Derivative financial instruments	-	-	-	48,613,968	6,739,536	-	-	-	55,353,504
Total assets	**359,083,615**	**197,431,541**	**40,645,184**	**240,375,623**	**362,592,733**	**1,360,450,824**	**1,813,904**	**1,147,754**	**2,563,541,178**

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34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	3,621,348	-	-	2,005,461	115,668	19,539,752	-	-	25,282,229
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-	4,300,430	27,467,494	6,631,338	-	-	38,399,262
Loans from the Parent Company	-	-	-	-	-	91,036,314	-	-	91,036,314
Loans from banks and other financial institutions	-	7,452,823	269,267	3,682,537	280,977,667	584,868,906	-	-	877,251,200
Government grants	-	375,643	722,045	3,117,248	20,629,018	160,603,818	-	-	185,447,772
Debt securities issued	-	-	-	-	588,640,082	210,317,453	-	-	798,957,535
Subordinated debt	-	-	-	-	-	92,256,002	-	-	92,256,002
Other liabilities	2,884,277	3,490,403	9,745,091	7,380,333	9,494,014	384,122	-	-	33,378,240
Deferred tax liabilities	-	-	-	-	-	13,365,470	-	-	13,365,470
Derivative financial instruments	-	-	-	-	-	-	-	-	-
Total liabilities	**6,505,625**	**11,318,869**	**10,736,403**	**20,486,009**	**927,323,943**	**1,179,003,175**	**-**	**-**	**2,155,374,024**
Net position as at 31 December 2017	**352,577,990**	**186,112,672**	**29,908,781**	**219,889,614**	**(564,731,210)**	**181,447,649**	**1,813,904**	**1,147,754**	**408,167,154**

34 Risk management, continued

(e) Maturity, continued

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2016.

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Assets									
Cash and cash equivalents	169,570,084	39,223,761	-	-	-	-	-	-	208,793,845
Placements with banks and other financial institutions	-	19,236,454	700,825	75,063,855	40,272,097	-	-	-	135,273,231
Loans to banks	-	-	-	135,643,632	22,560,742	54,708,441	-	-	212,912,815
Loans to customers	-	23,200,166	10,298,091	44,484,025	265,087,103	1,047,673,445	-	275,473	1,391,018,303
Finance lease receivables	-	508,527	1,740,195	5,297,833	23,706,461	11,638,727	-	1,212,217	44,103,960
Available-for-sale financial assets	-	-	-	35,070,758	57,260,588	183,324,921	-	-	275,656,267
Held-to-maturity investments	-	-	-	-	-	5,013,296	-	-	5,013,296
Advances paid under finance lease agreements	-	-	3,063,153	19,803,592	17,122,260	-	-	-	39,989,005
Assets to be transferred under finance lease agreements	-	-	792,240	2,357,649	-	-	-	-	3,149,889
Equipment and intangible assets	-	-	-	-	-	-	437,459	-	437,459
Other assets	67,261,067	195,922	165,262	942,255	660,634	965,524	3,135,230	-	73,325,894
Current tax asset	-	-	-	1,048,373	-	-	-	-	1,048,373
Derivative financial instruments	-	-	403,160	-	58,054,358	-	-	-	58,457,518
Total assets	**236,831,151**	**82,364,830**	**17,162,926**	**319,711,972**	**484,724,243**	**1,303,324,354**	**3,572,689**	**1,487,690**	**2,449,179,855**

34 Risk management, continued

(e) Maturity, continued

	On demand KZT'000	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Overdue KZT'000	Total KZT'000
Liabilities									
Current accounts and deposits from customers	3,487,452	-	-	89,292,671	122,516	16,565,831	-	-	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-	-	23,721,387	13,830,955	-	-	37,552,342
Loans from the Parent Company						35,177,297	-	-	35,177,297
Loans from banks and other financial institutions	-	-	-	7,421,261	355,996,321	554,647,851	-	-	918,065,433
Government grants	-	-	-	-	-	118,332,087	-	-	118,332,087
Debt securities issued	-	-	-	107,669,954	63,364,533	556,532,018	-	-	727,566,505
Subordinated debt	-	-	-	-	-	86,831,581	-	-	86,831,581
Other liabilities	305,274	1,700,318	1,165,669	13,730,331	5,350,159	174,119	-	-	22,425,870
Deferred tax liabilities	-	-	-	-	-	14,073,907	-	-	14,073,907
Derivative financial instruments	-	-	523,077	7,871,654	-		-	-	8,394,731
Total liabilities	**3,792,726**	**1,700,318**	**1,688,746**	**225,985,871**	**448,554,916**	**1,396,165,646**	**-**	**-**	**2,077,888,223**
Net position as at 31 December 2016	**233,038,425**	**80,664,512**	**15,474,180**	**93,726,101**	**36,169,327**	**(92,841,292)**	**3,572,689**	**1,487,690**	**371,291,632**

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35 Capital management

The Group defines capital as its total equity measured in accordance with IFRS.

In accordance with legislation, as at 31 December 2017 and 2016 the Bank was not subject to capital requirements set by the National Bank of the Republic of Kazakhstan.

The Group is subject to minimum capital and maximum debt-to-equity ratio requirements established by covenants under certain liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements as at 31 December 2017 and 2016.

36 Credit related commitments

At any time the Group has outstanding credit related commitments to extend credit. These credit related commitments take the form of approved loans and overdraft facilities and are cancellable on certain conditions. The Group plans to fund these commitments with the issue of debt securities, loans from the Parent Company and a number of foreign counterparties.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognised at the consolidated statement of financial position date if counterparties failed completely to perform as contracted.

	2017 KZT'000	2016 KZT'000
Contracted amount		
Loan, credit line and finance lease commitments	377,519,042	171,628,440
Letters of credit, guarantees and other commitments related to settlement operations	4,393,864	10,425,417

The Group uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

As at 31 December 2017, included in loan, credit line and finance lease commitments related to settlement operations is the amount of KZT 250,776,478 thousand, related to ten borrowers (2016: KZT 78,105,811 thousand, related to nine borrowers), which, if aggregated with current amount of loans in the amount of KZT 317,607,582 thousand (2016: KZT 305,129,722 thousand), carrying value will comprise a significant credit exposure.

The total outstanding credit related contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

37 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

38 Related party transactions

(a) Control relationships

As at 31 December 2017 the Group's controlling party is National Management Holding "Baiterek" JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

Publicly available financial statements will be produced by the Group's Parent Company, however, no publicly available financial statements are produced by the Group's ultimate controlling party.

(b) Transactions with the members of the Board of Directors and the Management Board, Managing Directors

Total remuneration included in payroll and related taxes (refer Note 11):

	2017 KZT'000	2016 KZT'000
Members of the Board of Directors and the Management Board, Managing Directors	613,312	500,069

The above amounts include cash benefits in respect of the members of the Board of Directors and the Management Board, Managing Directors.

During twelve months ended 31 December 2017, the Group wrote-off accrued bonuses of KZT 11,472 thousand accrued to the Management Board and Managing Directors (2016: KZT 12,643 thousand)

38 Related party transactions, continued

(c) Transactions with other related parties, continued

Other related parties comprise the State, national companies and organisations, including the National Bank of the Republic of Kazakhstan, the Ministry of Finance of the Republic of Kazakhstan SWF "Samruk-Kazyna" and its subsidiaries.

The outstanding balances and the related average contractual interest rates as at 31 December 2017 and 2016 and related profit or loss amounts of transactions for the years ended 31 December 2017 and 2016 with other related parties are as follows.

31 December 2017	Parent Company		Other subsidiaries of the Parent Company		Other companies and state organisations		Total
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000
Consolidated Statement of Financial Position							
ASSETS							
Cash and cash equivalents	-	-	-	-	92,151,273	-	92,151,273
Loans to customers	-	-	14,564,177	12.15	723,537,588	6.43	738,101,765
Finance lease receivables	-	-	312,214	5.85	24,978,255	4.40	25,290,469
Available-for-sale financial assets	-	-	5,213,461	10.00	124,399,949	4.66	129,613,410
Advances paid under finance lease agreements	-	-	-	-	3,438,400	-	3,438,400
Held-to-maturity investments	-	-	-	-	5,381,556	0.01	5,381,556
Other assets	-	-	64,966,442	-	282,420	-	65,248,862
Current tax asset	-	-	-	-	2,243,028	-	2,243,028
Derivatives	-	-	6,739,536	-	48,566,034	-	55,305,570
LIABILITIES							
Current accounts and deposits from customers	-	-	12,768,258	5.40	12,179,884	-	24,948,142
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-	-	38,399,262	0.24	38,399,262
Loans from the Parent Company	91,036,314	0.14	-	-	-	-	91,036,314
Loans from banks and other financial institutions	-	-	21,075,386	2.94	-	-	21,075,386
Government grants	-	-	1,617,138	-	183,830,634	-	185,447,772
Debt securities issued	-	-	7,204,810	4.70	150,488,643	13.33	157,693,453
Subordinated debt	86,874,446	0.15	-	-	5,381,556	0.01	92,256,002
Other liabilities	-	-	273	-	11,921,046	-	11,921,319
Deferred tax liabilities	-	-	-	-	13,365,470	-	13,365,470

38 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2017	Parent Company	Other subsidiaries of the Parent Company	Other companies and state organisations	Total
	KZT'000	KZT'000	KZT'000	KZT'000
Profit				
Interest income	-	2,122,338	59,835,269	61,957,607
Interest expense	(11,706,500)	(2,938,817)	(21,316,863)	(35,962,180)
Fee and commission income	-	1,922	77,997	79,919
Fee and commission expense	-	(107,938)	-	(107,938)
Net foreign exchange translation loss	-	(486,327)	(3,671,814)	(4,158,141)
Net realised gain on available-for-sale financial assets	-	-	1,937,316	1,937,316
Net loss on derivative financial instruments	-	(1,209,288)	(4,956,822)	(6,166,110)
Impairment (losses)/recoveries	-	(203,448)	(8,907,632)	(9,111,080)
General administrative expenses	-	-	(653,526)	(653,526)
Other income*	-	281,226	7,922,841	8,204,067
Income tax expense	-	-	(977,903)	(977,903)

*During the year ended 31 December 2017 the amount of KZT 6,888,124 thousand was transferred to profit or loss to compensate the Group's losses incurred as a result of issuance of loans at lower than market rates in accordance with the conditions of the Government Programs (Note 28).

38 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2016	Parent Company		Other subsidiaries of the Parent Company		Other companies and state organisations		Total
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000
Consolidated Statement of Financial Position							
ASSETS							
Cash and cash equivalents	-	-	-		46,510,600	-	46,510,600
Loans to customers	-	-	20,984,222	13.45	682,194,960	6.80	703,179,182
Finance lease receivables	-	-	351,661	5.85	847,828	6.63	1,199,489
Available-for-sale financial assets	-	-	4,662,242	6.50	242,078,089	5.08	246,740,331
Held-to-maturity investments	-	-	-	-	5,013,296	0.01	5,013,296
Other assets	-	-	67,283,061	-	1,684,730	-	68,967,791
Current tax asset	-	-	-	-	1,048,373	-	1,048,373
Derivatives	-	-	7,132,545	-	50,905,329	-	58,037,874
LIABILITIES							
Current accounts and deposits from customers	-	-	77,751,997	2.28	29,306,789	0.15	107,058,786
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	-	-		37,552,342	0.24	37,552,342
Loans from Parent Company	35,177,297	0.14	-		-	-	35,177,297
Loans from banks and other financial institutions		-	20,334,669	3.01			20,334,669
Government grants	-	-	1,787,445	-	116,544,642	-	118,332,087
Debt securities issued	-	-	2,470,063	6.50	239,942,651	13.58	242,412,714
Subordinated debt	81,818,285	0.15	-	-	5,013,296	0.01	86,831,581
Other liabilities	-	-	156,775	-	8,003,631	-	8,160,406
Deferred tax liabilities	-	-	-	-	14,073,907	-	14,073,907

38 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2016	Parent Company KZT'000	Other subsidiaries of the Parent Company KZT'000	Other companies and state organisations KZT'000	Total KZT'000
Profit				
Interest income	-	2,165,510	58,710,732	60,876,242
Interest expense	(5,676,482)	(3,635,734)	(1,262,622)	(10,574,838)
Fee and commission income	-	14,375	34,103	48,478
Fee and commission expense	-	(82,379)	-	(82,379)
Net foreign exchange translation gain*	-	(956,954)	83,036,860	82,079,906
Net realised gain on available-for-sale financial assets	-	377,506	-	377,506
Net gain on derivative financial instruments	-	(284,131)	(1,538,757)	(1,822,888)
Impairment losses	-	(205,905)	(350,338)	(556,243)
General administrative expenses	-	(2,291)	(691,793)	(694,084)
Other income	-	160,989	15,996,978	16,157,967
Income tax expense	-	-	(229,033)	(229,033)

39 Segment analysis

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Group's assets are concentrated in the Republic of Kazakhstan, and revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman, only receives and reviews the information on the Group as a whole.

40 Fair value of financial instruments

(a) Determining fair values

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

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

- Discount rate of 6.54%-10.47% p.a. is used for discounting future cash flows on loans to customers;
- Discount rate of 8.87% p.a. is used for discounting future cash flows on held-to-maturity investments;
- Discount rate of 4.04% p.a. is used for discounting future cash flows on loans to banks;
- Discount rates of 3.51% -4.87% p.a. for USD and 9.62%-11.21% p.a. for KZT are used for discounting future cash flows on debt securities issued;
- Discount rates of 9.05%-9.21% p.a. are used for discounting future cash flows on subordinated debt;

40 Fair value of financial instruments

(a) Determining fair values, continued

- Discount rates of 8.92%-9.21% p.a. are used for discounting future cash flows on loans from the Parent Company;
- Discount rates of 0.16%-4.96% p.a. for foreign currencies and of 8.95%-9.52% for KZT are used for discounting future cash flows on loans from banks and other financial institutions;
- Discount rates of 8.90%-9.01% p.a. are used for discounting future cash flows on loans from the Government of the Republic of Kazakhstan and the SWF "Samruk-Kazyna".
- Discount rate of 3.74%-4.72% p.a. are used to discount future cash flows on customers' deposits.

(b) Fair value hierarchy

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The control framework implemented by the Group includes preparation of fair value measurements by the responsible front-office specialists and subsequent review by the Head of corresponding department. Specific controls implemented by the Group include:

- verification of observable pricing;
- a review and approval process for new models and changes to models Head of the corresponding front-office;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous reporting period.

(i) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value as at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale financial assets	18	121,063,766	44,933,731	-	165,997,497
Embedded derivative	17	-	-	4,603,837	4,603,837
Derivative financial instruments	23	-	6,787,470	48,566,034	55,353,504
		121,063,766	51,721,201	53,169,871	225,954,838

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments measured at fair value, continued

The table below analyses financial instruments measured at fair value as at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	Note	Level 1 KZT'000	Level 2 KZT'000	Level 3 KZT'000	Total KZT'000
Assets					
Available-for-sale financial assets	18	116,419,524	159,236,743	-	275,656,267
Embedded derivative	17	-	-	2,804,925	2,804,925
Derivative financial instruments	23	-	7,552,189	50,905,329	58,457,518
		116,419,524	**166,788,932**	**53,710,254**	**336,918,710**
Liabilities					
Derivative financial instruments	23	-	8,394,731	-	8,394,731
		-	**8,394,731**	**-**	**8,394,731**

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments measured at fair value, continued

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

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Embedded derivative	4,603,837	Option model	Volatility of FX rate	USD 4.40%, RUR: 6.30%	Significant increase in volatility would result in higher fair value.
Derivative financial instruments	48,566,034	Discounted cash flow	Prepayment option	1 month /7 months	Longer prepayment period would result in higher fair value of derivative/shorter prepayment period would result in lower fair values of derivative

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The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2016:

Type of instrument	Fair values	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
Embedded derivative	2,804,925	Option model	Volatility of FX rate	USD 5.36%	Significant increase in volatility would result in higher fair value.
Derivative financial instruments	50,905,329	Discounted cash flow	Prepayment option	0 - 19 months	Longer prepayment period would result in higher fair value of derivative/shorter prepayment period would result in lower fair values of derivative

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments measured at fair value, continued

The available-for-sale financial assets with fair values determined using valuation techniques that use observable inputs were classified into Level 2. Observable inputs included transaction prices in markets that are active for similar, but not identical, instruments and transaction prices in markets that are not active for identical instruments. Although all the instruments are listed on KASE, management believes that the market for these identical instruments is not active.

The Group applies discounted cash flow methodology in respect of valuation of impaired available-for-sale financial assets and available-for-sale financial assets for which fair values cannot be determined based on observable market inputs.

For impaired debt securities cash flow projections were based on publicly available information on expected post-restructuring payoff schedule for each respective type of security. Assumptions on discount rates were made based on issuers' credit risk premiums implied by market quotes of the issues on which the trades were not suspended.

Certain available-for-sale financial assets that do not have observable market prices and cannot be valued based on observable market inputs were also valued applying discounted cash flow methodology. Cash flow projections for these securities were derived from contractual payment schedules. Assumptions regarding discount rates were made based on quoted prices in active markets of similar instruments of an issuer with adjacent credit rating adjusted to the difference in credit ratings.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2017:

	Financial derivatives	Embedded derivative
Balance at 1 January	**50,905,329**	**2,804,925**
Total gains or losses:		
- net gain recognised in profit or loss	(2,339,295)	(252,497)
Interest paid	-	(74,941)
Acquisition as a part of receivable under finance lease agreements	-	2,126,350
Balance as at 31 December	**48,566,034**	**4,603,837**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at 31 December 2016:

	Financial derivatives	Embedded derivative
Balance as at 1 January	**51,874,915**	**3,826,180**
Total gains or losses:		
- net gain recognised in profit or loss	(2,370,544)	(992,124)
Initial recognition of fair value	(1,800,000)	-
Interest paid	3,200,958	-
Termination	-	(29,131)
Balance at 31 December	**50,905,329**	**2,804,925**

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments measured at fair value, continued

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2017:

KZT'000	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	Unfavourable	Favourable	Unfavourable
Derivatives	(34,546)	(903,937)	-	-
Finance lease receivables				
- Embedded derivative	819,883	(677,190)	-	-
Total	**785,337**	**(1,581,127)**	**-**	**-**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects as at 31 December 2016:

KZT'000	Effect on profit or loss		Effect on other comprehensive income	
	Favourable	Unfavourable	Favourable	Unfavourable
Derivatives	182,593	(241,833)	-	-
Finance lease receivables				
- Embedded derivative	303,515	(253,356)	-	-
Total	**486,108**	**(495,189)**	**-**	**-**

The favourable and unfavourable effects of using reasonably possible alternative assumptions are calculated by recalibrating the model values:

for Embedded derivatives: using unobservable inputs based on averages of the upper and lower quartiles respectively of the Group's ranges of possible estimates. Key inputs and assumptions used in the models as at 31 December 2017 and 31 December 2016:

- Changing the volatility by 50%
- Changing in spread between risk-free rates by 0.5
- Changing the estimated discount rate by 100 basis points.

for Derivatives: key inputs and assumptions used to calculate favourable and unfavourable changes include increase of the estimated transaction terms by 3 months and decrease of the estimated transaction terms by 2 months.

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments not measured at fair value, continued

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

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	452,595,842	-	452,595,842	452,595,842
Placements with banks and other financial institutions	-	74,218,324	-	74,218,324	74,218,324
Loans to banks	-	52,571,099	1,860,395	54,431,494	67,999,981
Loans to customers	-	1,275,938,403	147,039,496	1,422,977,899	1,492,658,569
Finance lease receivables (except for embedded derivative)	-	82,515,658	-	82,515,658	91,689,928
Held-to-maturity investments	-	-	3,216,978	3,216,978	5,381,556
Other financial assets	-	69,173,017	347,336	69,520,353	69,520,353
Liabilities	-				
Current accounts and deposits from customers	-	26,171,136	-	26,171,136	25,282,229
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	13,236,459	20,612,892	33,849,351	38,399,262
Loans from the Parent Company	-	-	91,666,957	91,666,957	91,036,314
Loans from banks and other financial institutions	-	858,059,786	24,706,144	882,765,930	877,251,200
Debt securities issued	633,396,728	214,895,645	-	848,292,373	798,957,535
Subordinated debt	-	-	61,464,311	61,464,311	92,256,002
Other financial liabilities	-	16,279,256	-	16,279,256	16,279,256

40 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

(i) Financial instruments not measured at fair value, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2016:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	208,793,846	-	208,793,846	208,793,845
Placements with banks and other financial institutions	-	135,273,231	-	135,273,231	135,273,231
Loans to banks	-	185,825,938	-	185,825,938	212,912,815
Loans to customers	-	1,245,333,016	57,172,862	1,302,505,878	1,391,018,303
Finance lease receivables (except for embedded derivative)	-	40,011,363	-	40,011,363	41,299,035
Held-to-maturity investments	-	3,705,982	-	3,705,982	5,013,296
Other financial assets	-	68,773,756	-	68,773,756	68,773,756
Liabilities					
Current accounts and deposits from customers	-	39,296,992	66,298,839	105,595,831	109,468,470
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	-	13,236,459	17,950,930	31,187,389	37,552,342
Loans from the Parent Company	-	-	19,718,626	19,718,626	35,177,297
Loans from banks and other financial institutions	-	920,234,284	10,478,468	930,712,752	918,065,433
Debt securities issued	424,527,416	324,410,528	-	748,937,944	727,566,505
Subordinated debt	-	3,705,982	53,513,266	57,219,248	86,831,581
Other financial liabilities	-	16,289,531	-	16,289,531	16,289,531

The following tables show the valuation techniques used in measuring Level 3 fair values.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Loans to customers	Discounted cash flows	Expected cash flows
Finance lease receivables(except for embedded derivative)	Discounted cash flows	Not applicable
Other financial assets	Discounted cash flows	Not applicable
Loans from the Government of the Republic of Kazakhstan and SWF "Samruk-Kazyna"	Discounted cash flows	Liquidity premium
Loan from the Parent Company	Discounted cash flows	Liquidity premium
Loans from banks and other financial institutions	Discounted cash flows	Not applicable
Subordinated debt	Discounted cash flows	Not applicable

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Regulatory Story

Go to market news section

Official List - Official List Notice
Released 08:00 04-May-2018

RNS Number : 0826N
Official List
04 May 2018

NOTICE OF ADMISSION TO THE OFFICIAL LIST

04/05/2018 08:00 AM

The Financial Conduct Authority ("FCA") hereby admits the following securities to the Official List with effect from the time and date of this notice:-

Boost Issuer Public Limited Company

15,000	Boost Natural Gas 3x Short Daily ETP Securities due 30/11/2062 fully paid (Registered in denominations of USD2 each)	Standard Debt	(IE00B76BRD76) ●
2,500,000	Boost S&P 500 VIX Short-Term Futures 2.25x Leverage Daily ETP Securities due 30/11/2062 fully paid (Registered in denominations of EUR100,000 each)	Standard Debt	(IE00BYTYHQ58) ●
340,000	Boost Silver 3x Leverage Daily ETP Securities due 30/11/2062 fully paid (Registered in denominations of USD2 each)	Standard Debt	(IE00B7XD2195) ●

89,821	Boost Silver 3x Leverage Daily ETP Securities due 30/11/2062 fully paid (Registered in denominations of USD2 each)	Standard Debt	(IE00B7XD2195) ●

Bromford Housing Group Limited

GBP300,000,000	3.125% Guaranteed Secured Bonds due 03/05/2048 fully paid (Represented by bonds to bearer of GBP100,000 each and integral multiples of GBP1,000 in excess thereof up to and including GBP199,000)	Standard Debt	(XS1815429342) ●

CRH PLC

1,841,430	Ordinary Shares of EUR0.32 each fully paid	Premium Equity Commercial Companies	(IE0001827041) ●

Elering AS

EUR225,000,000	0.875% Notes due 03/05/2023 fully paid (Represented by notes to bearer of EUR100,000 each and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000)	Standard Debt	(XS1713464102) ●

ETFS Commodity Securities Limited

2,000	ETFS 1X Daily Short Aluminium fully paid	Standard Debt	(JE00B24DK421) ●
1,800	ETFS 1X Daily Short Gold fully paid	Standard Debt	(JE00B24DKC09) ●
1,400	ETFS 1X Daily Short Natural Gas fully paid	Standard Debt	(JE00B24DKH53) ●

1,700	ETFS 1X Daily Short Sugar fully paid	Standard Debt	(JE00B24DKQ45) ●
4,000	ETFS 1X Daily Short WTI Crude Oil fully paid	Standard Debt	(JE00B24DK975) ●
9,000	ETFS 1X Daily Short Wheat fully paid	Standard Debt	(JE00B24DKR51) ●
1,500	ETFS 2X Daily Long Brent Crude fully paid	Standard Debt	(JE00BDD9QD91) ●
2,500	ETFS 2X Daily Long Lead fully paid	Standard Debt	(JE00B2NFTZ32) ●
6,700	ETFS 2X Daily Long Natural Gas fully paid	Standard Debt	(JE00BDD9Q956) ●
1,900	ETFS 2X Daily Long Nickel fully paid	Standard Debt	(JE00BDD9QB77) ●
77,978	ETFS 2X Daily Long Platinum fully paid	Standard Debt	(JE00B2NFV134) ●
34,000	ETFS 2X Daily Long Silver fully paid	Standard Debt	(JE00B2NFTS64) ●
59,000	ETFS 2X Daily Long Sugar fully paid	Standard Debt	(JE00B2NFTW01) ●
54,200	ETFS 2X Daily Long WTI Crude Oil fully paid	Standard Debt	(JE00BDD9Q840) ●

1,700	ETFS 3X Daily Long Gold Securities fully paid	Standard Debt	(JE00BYQY4X40) ●
5,500	ETFS 3X Daily Long Silver Securities fully paid	Standard Debt	(JE00BYQY6F08) ●
24,400	ETFS 3X Daily Long Sugar Securities fully paid	Standard Debt	(JE00BYQY7H96) ●
2,700	ETFS 3X Daily Long WTI Crude Oil Securities fully paid	Standard Debt	(JE00BYQY8G54) ●
3,000	ETFS 3X Daily Short Coffee Securities fully paid	Standard Debt	(JE00BYQY3K46) ●
3,700	ETFS 3X Daily Short Natural Gas Securities fully paid	Standard Debt	(JE00BYQY5082) ●
2,800	ETFS 3X Daily Short Silver Securities fully paid	Standard Debt	(JE00BYQY6502) ●
31,200	ETFS 3X Daily Short Sugar Securities fully paid	Standard Debt	(JE00BYQY7799) ●
14,200	ETFS 3X Daily Short Wheat Securities fully paid	Standard Debt	(JE00BYQY7P70) ●
120,000	ETFS Agriculture DJ-AIGCI Securities fully paid	Standard Debt	(GB00B15KYH63) ●
50,500	ETFS Copper Securities fully paid	Standard Debt	(GB00B15KXQ89) ●

334,776	ETFS Corn Securities fully paid	Standard Debt	(GB00B15KXS04) ●
65,700	ETFS Industrial Metals DJ-AIGCI Securities fully paid	Standard Debt	(GB00B15KYG56) ●
6,000	ETFS Nickel Securities fully paid	Standard Debt	(GB00B15KY211) ●
13,700	ETFS Precious Metals DJ-AIGCI Securities fully paid	Standard Debt	(GB00B15KYF40) ●
63,900	ETFS Sugar Securities fully paid	Standard Debt	(GB00B15KY658) ●
55,000	ETFS Wheat Securities fully paid	Standard Debt	(GB00B15KY765) ●

ETFS Hedged Commodity Securities Limited

2,500	ETFS GBP Daily Hedged Gold fully paid	Standard Debt	(JE00B3P6PX15) ●
13,000	ETFS GBP Daily Hedged WTI Crude Oil fully paid	Standard Debt	(JE00B6RV6N28) ●

ETFS Metal Securities Limited

76,000	ETFS Physical Gold Securities fully paid	Standard Debt	(JE00B1VS3770) ●

Invesco Physical Markets PLC

17,000	Secured Gold-Linked Certificates due 2100 fully paid	Standard Debt	(IE00B579F325) ●

Investec Bank PLC

GBP850,000	Impala Quad Index 6 year Phoenix Kick Out Notes with Capital at Risk due 02/05/2024 fully paid (Represented by notes to bearer of GBP1.00 each)	Standard Securitised Derivatives	(XS1800964774) ●
USD1,250,000	Impala Quad Index 6 year Phoenix Kick Out Notes with Capital at Risk due 02/05/2024 fully paid (Represented by notes to bearer of USD1.00 each)	Standard Securitised Derivatives	(XS1800964857) ●
USD2,585,000	Kick Out Notes with Capital at Risk due 24/04/2024 fully paid (Represented by notes to bearer of USD1.00 each)	Standard Securitised Derivatives	(XS1803094207) ●

iShares Physical Metals plc

14,000	Physical Silver ETC fully paid	Standard Debt	(IE00B4NCWG09) ●

JSC Development Bank of Kazakhstan

KZT100,000,000,000	8.95% Notes due 04/05/2023 fully paid (Registered in denominations of KZT50,000,000 each and integral multiples of KZT250,000 in excess thereof) (Regulation S)	Standard Debt	(XS1814831563) ●
	8.95% Notes due 04/05/2023 fully paid (Registered in denominations of KZT50,000,000 and integral multiples of KZT250,000 in excess thereof) (144A)	Standard Debt	(XS1814863335) ●

Phoenix Spree Deutschland Limited

8,260,065	Shares of No Par Value fully paid	Premium Equity Closed Ended Investment Funds	(JE00B248KJ21) ●

Santander UK PLC

EUR50,000,000	0.02% Senior Notes due 19/03/2021 fully paid (Represented by notes to bearer of EUR100,000 each and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000)	Standard Debt	(XS1817857722) ●

The Renewables Infrastructure Group Limited

5,000,000	Ordinary shares of no par value fully paid	Premium Equity Closed Ended Investment Funds	(GG00BBHX2H91) ●

UNITED KINGDOM

GBP3,000,000,000	0 3/4% Treasury Gilt due 22/07/2023 fully paid	Standard Debt	(GB00BF0HZ991) ●
GBP427,034,000	0 3/4% Treasury Gilt due 22/07/2023 fully paid	Standard Debt	(GB00BF0HZ991) ●

If you have any queries relating to the above, please contact Listing Applications at the FCA on 020 7066 8352.

Notes

●Denotes the security is being admitted to trading on the London Stock Exchange, a Recognised Investment Exchange.

†Denotes the security is also being admitted to trading on ICAP Securities & Derivatives Exchange (ISDX), a Recognised Investment Exchange.

#Denotes the security is also being admitted to trading on Euronext London, a Recognised Investment Exchange.

~Denotes the security is also being admitted to trading on BATS Europe Regulated Market, a Recognised Investment Exchange.

- Dealing Notices issued by the FCA in respect of admission of securities to the Official List must be read in conjunction with notices issued by the relevant Recognised Investment Exchange in respect of admission of securities to trading on its markets.

- SEDOL numbers which are allocated by the London Stock Exchange as a Stock Exchange identifier may be found on their dealing notice.

END

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Official List Notice - RNS