JOINT STOCK COMPANY KAZKOMMERTSBANK

Interim Condensed Consolidated
Financial Information (Unaudited)
For the Three Months ended 31 March 2018

Joint Stock Company Kazkommertsbank

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Joint Stock Company Kazkommertsbank

Statement of Management's Responsibilities
For the Preparation and Approval
Of the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2018 (Unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Kazkommertsbank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 March 2018, and the results of its operations, cash flows and changes in equity for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2018 was approved by the Management Board of JSC Kazkommertsbank on 15 May 2018.

On behalf of the Management Board of the Bank:

Wokurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A. Zh.
Chief Accountant

15 May 2018
Almaty

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of JSC Kazkommertsbank:

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of JSC Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 31 March 2018 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Emphasis of Matter

As discussed in Note 1 to the interim condensed consolidated financial information, on 15 December 2017, the Board of Directors of JSC Halyk Bank has approved the merger of JSC Kazkommertsbank into JSC Halyk Bank. The merger is expected to be finalized in the second half of 2018, subject to prior completion of all the necessary procedures, including obtaining regulatory approvals. Our opinion is not modified in respect of this matter.

Deloitte LLP

15 May 2018
Almaty

Joint Stock Company Kazkommertsbank

Interim Consolidated Statement of Profit or Loss
For the three months ended 31 March 2018 (Unaudited)

	Notes	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Interest income	4, 20	70,763	92,555
Interest expense	4, 20	(45,737)	(71,293)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION FOR EXPECTED CREDIT LOSSES		25,026	21,262
Recovery of provision for expected credit losses	5, 20	16,613	14,864
NET INTEREST INCOME		41,639	36,126
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(40,263)	58,028
Net gain/(loss) on foreign exchange and precious metals operations		46,537	(38,858)
Fee and commission income	20	12,949	11,992
Fee and commission expense	20	(7,233)	(4,421)
Net realised loss on investments at fair value through other comprehensive income (IAS 39 – investments available-for-sale)		(1,874)	(921)
Recovery of provisions for credit losses on investments at fair value through other comprehensive income	5	18	-
Dividend income		40	21
Net income from sale of inventory		230	643
Gain/(loss) from revaluation of other assets	7	838	(788)
Other income	20	8,076	5,818
NET NON-INTEREST INCOME		19,318	31,514
OPERATING EXPENSES	8, 20	(13,993)	(18,489)
PROFIT BEFORE OTHER OPERATING PROVISIONS		46,964	49,151
Provision for credit losses on other transactions	20	(9,219)	(4,295)
Recovery of provision for credit losses on guarantees and other contingencies	5, 20	914	390
PROFIT BEFORE INCOME TAX		38,659	45,246
Income tax expense	9	(866)	(7,356)
NET PROFIT		**37,793**	**37,890**
Attributable to:			
Ordinary shareholders of the Parent		37,793	32,793
Preference shareholders of the Parent		-	5,097
Non-controlling interest		-	-
		37,793	**37,890**
EARNINGS PER SHARE			
Basic and diluted (KZT)	**10**	**13.48**	**41.15**

On behalf of the Management Board of the Bank:

Wokurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A. Zh.
Chief Accountant

15 May 2018
Almaty

The notes on pages 10-34 form an integral part of this interim condensed consolidated financial information.

Joint Stock Company Kazkommertsbank

Interim Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2018 (Unaudited)

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
NET PROFIT FOR THE PERIOD	37,793	37,890
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss:		
Net gain resulting on revaluation of property	-	2
Income tax	3	6
	3	**8**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(895)	(1,843)
Net loss on revaluation of investments at fair value through other comprehensive income	(2,331)	-
Reclassification adjustment relating to financial assets at fair value through other comprehensive income impaired of in the period (IAS 39 - investments available-for-sale)	(18)	-
Reclassification adjustment relating to investments at fair value through other comprehensive income disposed of in the period	1,874	-
Net loss resulting on revaluation of available-for-sale investments	-	(379)
Reclassifications relating to available-for-sale investments disposed of in the period	-	921
Net loss on cash flows hedges	-	(78)
Income tax	-	2
	(1,370)	(1,377)
OTHER COMPREHENSIVE LOSS AFTER INCOME TAX	**(1,367)**	**(1,369)**
TOTAL COMPREHENSIVE INCOME	**36,426**	**36,521**
Attributable to:		
Ordinary shareholders of the Parent	36,427	31,607
Preference shareholders of the Parent	-	4,914
Non-controlling interest	(1)	-
TOTAL COMPREHENSIVE INCOME	**36,426**	**36,521**

On behalf of the Management Board of the Bank:

Wokurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A. Zh.
Chief Accountant

15 May 2018
Almaty

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Joint Stock Company Kazkommertsbank

Interim Consolidated Statement of Financial Position
As at 31 March 2018 (Unaudited)

	Notes	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
ASSETS:			
Cash and balances with national (central) banks	11	102,003	133,114
Precious metals		2,840	3,089
Financial assets at fair value through profit or loss	12, 20	51,744	137,498
Loans and advances to banks and other financial institutions	20	408,497	528,781
Loans to customers	13, 20	723,993	764,640
Investments at fair value through other comprehensive income	14	778,218	n/a
Investments available-for-sale	15	n/a	1,704,451
Investments at amortised cost	16	1,064,034	n/a
Investment property		12,824	6,114
Property, equipment and intangible assets		46,692	47,236
Deferred income tax assets	9	346	558
Other assets	20	106,445	107,660
Assets classified as held for sale		126,329	141,237
TOTAL ASSETS		**3,423,965**	**3,574,378**
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from banks and other financial institutions	20	49,865	58,474
Customer accounts	17, 20	2,381,041	2,482,552
Financial liabilities at fair value through profit or loss	12, 20	6,616	493
Debt securities issued	18	447,538	455,272
Other borrowed funds		36,900	36,480
Provisions	5, 20	79,887	78,465
Deferred income tax liabilities	9	209	111
Other liabilities	20	35,082	39,749
Subordinated debt		118,139	154,642
Total liabilities		**3,155,277**	**3,306,238**
EQUITY:			
Equity attributable to equity holders of the Parent:			
Issued and outstanding share capital		476,613	484,988
Additional paid-in-capital		6,011	(6,405)
Property and equipment revaluation reserve		11,067	11,122
Other reserves		(225,009)	(221,571)
Total equity attributable to equity holders of the Parent		**268,682**	**268,134**
Non-controlling interest		6	6
Total equity		268,688	268,140
TOTAL LIABILITIES AND EQUITY		**3,423,965**	**3,574,378**

On behalf of the Management Board of the Bank:

Wokurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A. Zh.
Chief Accountant

15 May 2018
Almaty

The notes on pages 10-34 form an integral part of this interim condensed consolidated financial information.

Interim Consolidated Statement of Changes in Equity
For the three months ended 31 March 2018 (Unaudited)

	Share capital (KZT million)	Treasury shares (KZT million)	Additional paid-in-capital (KZT million)	Property and equip-ment revaluation reserve (KZT million)	Invest-ments available-for-sale fair value deficit[1] (KZT million)	Cumula-tive transla-tion reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Retained earnings[1] (KZT million)	Total equity attribute-able to equity holders of the Parent (KZT million)	Non-control-ling interest (KZT million)	Total equity (KZT million)
31 December 2016	286,811	(52,222)	(6,405)	11,515	(1,572)	(3,940)	62	147,025	381,274	6	381,280
Net income	-	-	-	-	-	-	-	37,890	37,890	-	37,890
Other comprehensive income/(loss)	-	-	-	8	528	(1,843)	(62)	-	(1,369)	-	(1,369)
Total comprehensive income/(loss)	-	-	-	8	528	(1,843)	(62)	37,890	36,521	-	36,521
Repurchase of treasury shares	-	(91)	-	-	-	-	-	-	(91)	-	(91)
Sale of treasury shares	-	81	-	-	-	-	-	-	81	-	81
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(33)	-	-	-	33	-	-	-
31 March 2017 (unaudited)	**286,811**	**(52,232)**	**(6,405)**	**11,490**	**(1,044)**	**(5,783)**	**-**	**184,948**	**417,785**	**6**	**417,791**

Interim Consolidated Statement of Changes in Equity (Continued)
For the three months ended 31 March 2018 (Unaudited)

	Share capital (KZT million)	Treasury shares (KZT million)	Additional paid-in-capital (KZT million)	Property and equipment revaluation reserve (KZT million)	Revaluation reserve of investments at fair value through other comprehensive income [1] (KZT million)	Cumulative translation reserve[1] (KZT million)	(Accumulated deficit)/Retained earnings[1] (KZT million)	Total equity attributeable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2017	537,142	(52,154)	(6,405)	11,122	14,092	(3,120)	(232,543)	268,134	6	268,140
Impact from implementation of IFRS 9	-	-	-	-	(15,528)	-	(24,392)	(39,920)	1	(39,919)
1 January 2018 (revised)	537,142	(52,154)	(6,405)	11,122	(1,436)	(3,120)	(256,935)	228,214	7	228,221
Net profit	-	-	-	-	-	-	37,793	37,793	-	37,793
Other comprehensive income/(loss)	-	-	-	3	(474)	(895)	-	(1,366)	(1)	(1,367)
Total comprehensive income/(loss)	-	-	-	3	(474)	(895)	37,793	36,427	(1)	36,426
Repurchase of treasury shares	-	(7,006)	-	-	-	-	-	(7,006)	-	(7,006)
Sale of treasury shares	-	21	-	-	-	-	-	21	-	21
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(58)	-	-	58	-	-	-
Exchange of preferred shares to common shares	(1,441)	51	12,416	-	-	-	-	11,026	-	11,026
31 March 2018 (unaudited)	**535,701**	**(59,088)**	**6,011**	**11,067**	**(1,910)**	**(4,015)**	**(219,084)**	**268,682**	**6**	**268,688**

[1]The amounts included within the Revaluation reserve for investments at fair value through other comprehensive income, Investments available-for-sale fair value deficit, Cumulative translation reserve, and Retained earnings/(accumulated deficit), in the above table, are included within "Other reserves" in the interim consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Wolkurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A. Zh.
Chief Accountant

15 May 2018
Almaty

The notes on pages 10-34 form an integral part of this interim condensed consolidated financial information.

Joint Stock Company Kazkommertsbank

Interim Consolidated Statement of Cash Flows
For the three months ended 31 March 2018 (Unaudited)

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on loans and advances to banks and other financial institutions	5,495	1,107
Interest received from financial assets at fair value through profit or loss	1,031	482
Interest received from loans to customers	25,447	25,462
Interest received from investments at fair value through other comprehensive income	8,624	n/a
Interest received from investments available-for-sale	n/a	938
Interest received from investments at amortised cost	11,946	n/a
Interest received from investments held to maturity	n/a	6,468
Interest paid on loans and advances from banks and other financial institutions	(414)	(13,037)
Interest paid on customer accounts	(31,970)	(32,896)
Interest paid on debt securities issued	(8,189)	(17,034)
Interest paid on other borrowed funds	(98)	(122)
Interest paid on subordinated debt	(446)	(562)
Fee and commission received	13,279	11,808
Fee and commission paid	(7,361)	(4,405)
Other income received	3,685	5,000
Operating expenses paid	(12,301)	(17,537)
Cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	8,728	(34,328)
Changes in operating assets and liabilities		
Decrease/(increase) in operating assets:		
Funds deposited with National Bank of Kazakhstan	2,246	22,073
Funds deposited with Central Bank of the Russian Federation	42	2,682
Funds deposited with National Bank of Tajikistan	436	74
Precious metals	254	273
Financial assets at fair value through profit or loss	14,368	14,964
Loans and advances to banks and other financial institutions	(2,262)	(12,539)
Loans to customers	30,099	45,782
Other assets	2,227	(2,445)
Increase/(decrease) in operating liabilities:		
Loans and advances from banks and other financial institutions	(8,487)	257,664
Customer accounts	(60,006)	(119,845)
Other liabilities	(2,390)	(617)
Cash (outflow)/inflow from operating activities before taxation	(14,745)	173,738
Income tax paid	(2,583)	(9,569)
Net cash (outflow)/inflow from operating activities	**(17,328)**	**164,169**

Joint Stock Company Kazkommertsbank

Interim Consolidated Statement of Cash Flows (Continued)
For the three months ended 31 March 2018 (Unaudited)

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and intangible assets	(684)	(1,052)
Proceeds on sale of property, equipment and intangible assets	459	2
Dividends received	40	21
Proceeds from sale of investments at fair value through other comprehensive income	3,649,234	n/a
Purchase of investments at fair value through other comprehensive income	(3,753,043)	n/a
Proceeds on sale of investments available-for-sale	n/a	401
Purchase and capitalization of investment property	-	(1,037)
Purchase of investments at amortised cost	(9,585)	n/a
Proceeds on maturity of investments at amortised cost	14,282	n/a
Purchase of investments held to maturity	n/a	(204)
Proceeds on maturity of investments held to maturity	n/a	1,541
Proceeds from sale of assets held for sale	8,433	2,977
Net cash (outflow)/inflow from investing activities	(90,864)	2,649
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of treasury shares	(7,006)	(91)
Sale of treasury shares	21	81
Proceeds from debt securities issued	-	1,944
Repurchase and repayment of debt securities issued	(332)	(127,679)
Proceeds from other borrowed funds	593	2,800
Repayment of other borrowed funds	(280)	-
Repurchase and repayment of subordinated debt	(23,856)	-
Net cash outflow from financing activities	(30,860)	(122,945)
Effect of changes in foreign exchange rate on cash and cash equivalents	(11,779)	(1,426)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(150,831)	42,447
CASH AND CASH EQUIVALENTS, beginning of period (Note 11)	597,833	172,716
CASH AND CASH EQUIVALENTS, end of period (Note 11)	**447,002**	**215,163**

During the three months ended 31 March 2018, the Group made non-cash transfers from investment property to property, equipment and intangible assets in the amount of KZT 215 million and from assets held for sale to investment property in the amount of KZT 6,718 million. During the three months ended 31 March 2017, the Group made non-cash transfers from investment property to property, equipment and intangible assets in the amount of KZT 1,086 million. Also during the three months ended 31 March 2018, the Group made non-cash transfers between the categories of financial assets presented in Note 3.

On behalf of the Management Board of the Bank:

Wokurka U.
Chief Executive Officer

15 May 2018
Almaty

Karzhaubekov A.Zh.
Chief Accountant

15 May 2018
Almaty

The notes on pages 10-34 form an integral part of this interim condensed consolidated financial information.

1. Organization

Joint Stock Company ("JSC") Kazkommertsbank ("the Bank", "Kazkommertsbank" or "KKB") is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the National Bank of Kazakhstan ("the NBK") in accordance with the license № 1.2.16/222/32 dated 2 December 2014. The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

As at 31 March 2018, the registered office of the Bank is located at: 135/8, Gagarin Ave., Almaty, 050060, the Republic of Kazakhstan (31 December 2017 - 135Zh, Gagarin Ave., Almaty, 050060, the Republic of Kazakhstan)

As at 31 March 2018 the Bank had 21 branches in the Republic of Kazakhstan (31 December 2017: 23 branches).

Kazkommertsbank is the Parent company of the banking group ("the Group"), which includes the following subsidiaries consolidated in the interim condensed consolidated financial information for the three months ended 31 March 2018 and in the consolidated financial statements for the year ended 31 December 2017:

Name	Country of operation	Proportion or ownership interest/voting rights As at 31 March 2018 (unaudited)	As at 31 December 2017	Type of operation
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	Securities market transactions
Kazkommerts International B.V.	Kingdom of the Netherlands	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of the Netherlands	100%	100%	Raising funds for the Bank on international capital markets
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	Banking
JSC Commercial Bank Moskommertsbank	Russian Federation	100%	100%	Banking
LLP KUSA KKB-1	Republic of Kazakhstan	100%	100%	Management of stress assets
LLP KUSA KKB-2	Republic of Kazakhstan	100%	100%	Management of stress assets
LLP KUSA KKB-3	Republic of Kazakhstan	100%	100%	Management of stress assets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	Life insurance
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	99.97%	99.97%	Insurance
JSC QPayments	Republic of Kazakhstan	100%	100%	Payment card processing and other related services

Shareholders

On 5 July 2017, the transactions were completed whereby Halyk Bank acquired common shares of the Bank held by Mr. Kenes Rakishev and JSC Sovereign Wealth Fund Samruk-Kazyna subject to the terms of the sale and purchase agreements signed on 15 June 2017. As a result of the above transactions, Halyk Bank holds 96.81% common shares in the Bank.

On 15 December 2017, the Bank announced the approval of Board of Directors of JSC Halyk Bank of Kazakhstan a gradual integration of two banks by merging JSC Kazkommerstbank with Halyk Bank. The integration will begin as soon as it is approved by regulatory bodies and the service and technological readiness, including synchronising of the product proposition, banking procedures and processes, integration of IT systems and banking infrastructure, of both financial institutions is ensured.

As at 31 March 2018, Halyk Bank owns 74.54% of the Bank's common shares (as at 31 December 2017, Halyk bank owns 74.73% of the Bank's common shares in circulation and 23.73% of the Bank's preference shares in circulation).

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

On 16 February 2018, the Extraordinary General Meeting of Shareholders of the Bank decided to exchange the placed preferred shares of the Bank for common shares of the Bank. Part of the preferred shares was purchased by the Bank in accordance with the shareholders' requests for redemption in accordance with Article 27 of the Law of the Republic of Kazakhstan "On Joint Stock Companies". On 19 March 2018, the remainder of the Bank's preferred shares was exchanged for its common shares. These redemption and exchange of shares were conducted in order to optimize the capital structure of the Bank.

2. Basis of presentation

Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and disclosures normally required to be included in the notes to the annual consolidated financial statements have been omitted or condensed. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and with selective notes to the consolidated financial statements of the Group for the year ended 31 December 2017.

The preparation of the interim condensed consolidated financial information in conformity with IAS 34 requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment of loans and receivables and determination of the fair value of financial instruments.

The interim condensed consolidated financial information reflects all adjustments that, in the opinion of management of the Group, are necessary for a fair presentation of the results of operations for the interim period. All such adjustments to the financial information are of a normal, recurring nature. Because the results from common banking activities are closely related and responsive to changes in market conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the year.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The reporting currency of this interim condensed consolidated financial information is the Kazakhstani tenge ("KZT").

3. Significant accounting policies

Accounting policy

In preparing this interim condensed consolidated financial information the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2017, except for the adoption of new standards effective as at 1 January 2018. The nature and the impact that is relevant to the Group's operations is described below.

In these interim condensed consolidated financial information, the Group has applied IFRS 9 for the first time, effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

As such, fiscal 2018 results reflect the adoption of IFRS 9, while prior period reflect results under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in interim consolidated statement of changes in equity and in the table below.

IFRS 9 *Financial Instruments*

From 1 January 2018, the Group started applying IFRS 9 Financial Instruments. This standard suggests changes in classification principles of financial instruments and replacement of "incurred losses" model applied by IAS 39 with "expected losses" model.

Classification and measurement

For financial assets accounting IFRS 9 provides for 3 classification categories:

- instruments estimated at amortised value;
- instruments estimated at fair value, which changes are reflected in other comprehensive income;
- instruments estimated at fair value, which changes are reflected in profit or loss statement for the reporting period.

In accordance with IFRS 9 recommendations the Group uses the following financial assets management business models:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the Solely payments of principal and interest "SPPI" criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Impairment

Calculation of financial assets impairment was made taking into account the following factors:

- In order to calculate the expected credit losses, the Bank performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Summary of impact upon adoption of IFRS 9 – Classification and measurement

The following table sets out the classification and measurement impact of adopting IFRS 9 on the interim consolidated statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 expected credit loss calculations. Reclassifications represent movements of the carrying amount of financial assets and liabilities, which have changed their classification. Remeasurement represents changes in the carrying amount of the financial assets and liabilities due to changes in their measurement. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

	As at 31 December 2017 IAS 39 Carrying amount	Reclassi-fication	Remeasu-rement	As at 1 January 2018 IFRS 9 Carrying amount
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Cash and balances with national (central) banks	133,114	-	-	133,114
Financial assets at fair value through profit or loss	137,498	(44,884)	(33)	92,581
Loans and advances to banks and other financial institutions	528,781		(25)	528,756
Loans to customers	764,640	-	(23,279)	741,361
Investments at fair value through other comprehensive income (2017: investments available-for-sale)	1,704,451	(1,013,091)	(13,644)	677,716
Investments at amortised cost	-	1,057,682	(229)	1,057,453
Other financial assets	37,667	293	(1,888)	36,072
Provision for financial liabilities and contingencies	15,215	-	836	16,051

The application of other new and revised IFRSs effective for periods beginning on or after 1 January 2018 has had no significant impact on the Group's interim condensed consolidated financial information.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

4. Net interest income

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Interest income comprise:		
Interest income on financial assets recorded at amortized cost	54,900	88,380
Interest income on financial assets at fair value through profit or loss	995	3,675
Interest income on investments at fair value through other comprehensive income	14,868	n/a
Interest income on investments available-for-sale	n/a	500
Total interest income	**70,763**	**92,555**
Interest income on financial assets recorded at amortized cost comprise:		
Interest on loans to customers	24,081	81,261
Interest on loans and advances to banks and other financial institutions	5,573	1,111
Interest on investments at amortised cost	23,542	n/a
Interest on investments held to maturity	n/a	4,351
Interest income on other financial assets	1,704	1,657
Total interest income on financial assets recorded at amortized cost	**54,900**	**88,380**
Interest expense comprise:		
Interest on customer accounts	(31,506)	(37,261)
Interest on debt securities issued	(10,776)	(11,766)
Interest on subordinated debt	(2,859)	(4,252)
Interest on loans and advances from banks and other financial institutions	(391)	(16,321)
Interest on other borrowed funds	(205)	(1,232)
Preference share dividends	-	(461)
Total interest expense	**(45,737)**	**(71,293)**
Net interest income before recovery of provision for expected credit losses on interest bearing assets	**25,026**	**21,262**

5. Provision for expected credit losses on interest bearing financial assets

The movements in provision for impairment losses on interest bearing financial assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million)	Loans to customers (KZT million) (Note 13)	Investments held to maturity (KZT million)	Total (KZT million)
31 December 2016	**5,062**	**573,447**	**217**	**578,726**
(Recovery of provision)/additional provision	(25)	507,418	8	507,401
Write-off of assets	-	(214,291)	-	(214,291)
Reclassification to investments available-for-sale	-	-	(225)	(225)
Foreign exchange differences	(2)	9,450	-	9,448
31 December 2017	**5,035**	**876,024**	**-**	**881,059**

The movements in provision for expected credit losses on interest bearing financial assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million) Individually assessed		Loans to customers (Note 13) (KZT million)						Investments at amortised cost (Note 16) (KZT million) Individually assessed	Total (KZT million)
			Individually assessed			Collectively assessed				
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage1	
Restated opening balance under IFRS 9	**25**	**5,035**	**4,972**	**2,896**	**737,420**	**13,630**	**4,118**	**140,317**	**231**	**908,644**
Transfer (from)/to Stage 1	-	-	(68)	-	-	(2,446)	(62)	2,219	-	(357)
Transfer to/(from) Stage 2	-	-	9	(187)	-	54	70	422	-	368
Transfer to/(from) Stage 3	-	-	149	-	(1,232)	145	(422)	1,349	-	(11)
Additional provision/(recovery of provision)	68	(5,012)	1,430	2	(14,266)	1,391	430	(659)	3	(16,613)
Write-off	-	(23)	(3)	-	(49,812)	(69)	(2)	(5,613)	-	(55,522)
Foreign exchange differences	-	-	(14)	(3)	(16,866)	(205)	(18)	(2,347)	-	(19,453)
31 March 2018 (unaudited)	**93**	**-**	**6,475**	**2,708**	**655,244**	**12,500**	**4,114**	**135,688**	**234**	**817,056**

	Investments at fair value through other comprehensive income (KZT million) (Note 14)			
	Stage 1	Stage 2	Individually assessed Stage 3	Total (KZT million)
Restated opening balance under IFRS 9	**522**	**5**	**3,270**	**3,797**
(Recovery of provision)/additional provision	(44)	-	26	(18)
Foreign exchange differences	1	-	(1)	-
31 March 2018 (unaudited)	**479**	**5**	**3,295**	**3,779**

	Other financial assets (KZT million)				
	Individually assessed		Collectively assessed		Total (KZT million)
	Stage 2	Stage 3	Stage 2	Stage 3	
Restated opening balance under IFRS 9	**5,457**	**33,051**	**369**	**4,404**	**43,281**
Transfer (from)/to Stage 2	(282)	-	282	50	50
Transfer (from)/to Stage 3	(46)	(2)	(4)	2	(50)
(Recovery of provision)/additional provision	69	3,886	1,770	1,914	7,639
Write-offs	-	(325)	-	(306)	(631)
Foreign exchange differences	(1,408)	1,719	(30)	(475)	(194)
31 March 2018 (unaudited)	**3,790**	**38,329**	**2,387**	**5,589**	**50,095**

	Financial and other contingencies (KZT million) (Note 19)						
	Individually assessed			Collectively assessed			Total (KZT million)
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Restated opening balance under IFRS 9	**61**	**324**	**3,219**	**3**	**50**	**1**	**16,051**
Transfer to/(from) Stage 1	1	(108)	-	(1)	1	-	(107)
Transfer to/(from) Stage 2	108	(2)	-	(1)	2	-	107
Transfer (from)/to Stage 3	-	-	(1)	-	-	1	-
Additional provision/(recovery of provision)	50	288	(1,277)	1	23	1	(914)
Foreign exchange differences	(3)	(13)	(58)	-	(12)	-	(116)
31 March 2018 (unaudited)	**217**	**459**	**14,276**	**2**	**64**	**3**	**15,021**

6. Net (loss)/gain on financial assets and liabilities at fair value through profit or loss

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:		
Realized gain on trading operations	1,440	257
Unrealized gain/(loss) on fair value adjustment	832	10,714
Net (loss)/gain on operations with derivative financial instruments	(42,535)	47,057
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	**(40,263)**	**58,028**

7. Gain/(loss) from revaluation of other assets

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Gain from change in value of inventory	800	-
Gain from change in value of investment property	40	-
Loss from change in value of assets held for sale	(2)	(788)
Gain/(loss) from revaluation of other assets	**838**	**(788)**

8. Operating expenses

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Staff costs	7,461	11,491
Depreciation and amortization	1,040	952
Operating lease	872	841
Taxes, other than income tax	729	767
Property and equipment maintenance	680	881
Encashment	446	33
Security	413	471
Communications costs	392	269
Advertising costs	241	500
Bank card services	128	438
Legal and consulting services	80	501
Business trip expenses	62	87
Vehicle maintenance	58	99
Other expenses	1,391	1,159
	13,993	**18,489**

9. Income tax

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate; such tax accounts may differ from IFRS.

The income tax expense for the years ended 31 March 2018 and 2017 is as follows:

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Current income tax expense	541	378
Deferred income tax expense	325	6,978
Income tax expense	**866**	**7,356**

Corporate income tax rate in the Republic of Kazakhstan was 20% during the three months ended 31 March 2018 and 2017.

Due to the fact that certain types of expenses are not taken into account for tax purposes, and due to the availability of non-taxable income, the Group has certain permanent tax differences.

During the three months ended 31 March 2018 and 2017, tax exempted income was represented by interest income and capital gains on state and other securities listed on Kazakhstani Stock Exchange, dividend income and interest income on finance leases, and non-deductible expenses comprising non-deductible operating expenses and provisions on finance leases.

Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount that is determined for tax purposes. The temporary differences available for 31 March 2018 and 2017, are mainly related to various methods of accounting for income and expenses, as well as the accounting value of certain assets.

Tax effect of temporary differences as at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Deferred income tax assets:		
Unrealised loss on trading securities and derivatives	1,568	1,663
Tax losses carried forward on trading securities and derivatives	1,858	1,858
Tax losses carried forward	43,470	43,633
Allowance for impairment losses on loans and advances to banks and customers	71	74
Accrued bonuses	1,416	1,229
Other assets	39	-
Total	**48,422**	**48,457**
Deferred income tax liabilities:		
Property, equipment, intangible assets and accrued depreciation	(4,806)	(4,349)
Customer accounts	(43,470)	(43,633)
Unrealised gain on trading securities and derivatives	(9)	(29)
Other liabilities	-	1
Total	**(48,285)**	**(48,010)**
Net deferred income tax assets	**137**	**447**

The Group offset the deferred tax assets and liabilities in the interim consolidated statement of financial position when there was a right for netting. The amounts presented after the netting include:

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Deferred income tax assets	346	558
Deferred income tax liabilities	(209)	(111)
Net deferred income tax assets	**137**	**447**

10. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income attributable to equity holders of the Parent by the weighted average number of participating shares outstanding during the period.

Dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Three months ended 31 March 2018 (unaudited) (KZT million)	Three months ended 31 March 2017 (unaudited) (KZT million)
Basic and diluted earnings per share		
Net profit attributable to equity holders of the Parent	37,793	37,890
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	-	(5,097)
Net profit attributable to ordinary shareholders	37,793	32,793
Weighted average number of ordinary shares for basic and diluted earnings per share	2,804,566,518	796,987,279
Earnings per share – basic and diluted (KZT)	**13.48**	**41.15**

The book value per share for each type of shares as at 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018 (unaudited)			31 December 2017		
Type of shares	**Outstanding shares**	**Net asset value (KZT million)**	**Book value per share, KZT**	**Outstanding shares**	**Net asset value (KZT million)**	**Book value per share, KZT**
Ordinary shares	2,840,541,907	266,556	93.84	2,795,067,487	259,627	92.89
Preference shares	-	-	-	123,672,855	21,383	172.90
		266,556			**281,010**	

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

According to the Kazakhstan Stock Exchange ("the KASE") Listing Rules effective from 25 August 2010, listed companies are required to present the book value per share (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

On 16 February 2018, the Extraordinary General Meeting of Shareholders of the Bank decided to exchange the placed preferred shares of the Bank for common shares of the Bank. Part of the preferred shares was purchased by the Bank in accordance with the shareholders' requests for redemption in accordance with Article 27 of the Law of the Republic of Kazakhstan "On Joint Stock Companies". On 19 March 2018, the remainder of the Bank's preferred shares was exchanged for its common shares. These redemption and exchange of shares were conducted in order to optimize the capital structure of the Bank.

11. Cash and balances with national (central) banks

	31 March 2018 (unaudited) (KZT million)	**31 December 2017 (KZT million)**
Cash on hand	57,487	87,995
Balances with the national (central) banks	44,516	45,119
	102,003	**133,114**

Cash and cash equivalents for the purposes of the interim consolidated statement of cash flows are comprised of the following:

	31 March 2018 (unaudited) (KZT million)	**31 December 2017 (KZT million)**	**31 March 2017 (unaudited) (KZT million)**
Cash and balances with national (central) banks	102,003	133,114	146,505
Loans and advances to banks with original maturities less than 3 months	161,457	171,731	76,453
REPO with banks with original maturity of less than 3 months	220,640	332,779	36,272
Less funds deposited with the National Bank of Kazakhstan	(35,721)	(37,966)	(40,821)
Less funds deposited with the Central Bank of the Russian Federation	(639)	(660)	(2,880)
Less funds deposited with the National Bank of Tajikistan	(738)	(1,165)	(366)
	447,002	**597,833**	**215,163**

Loans and advances to banks and repo transactions with banks included in cash and cash equivalents as at 31 March 2018 are presented net of provisions for expected credit losses in the amount of KZT 4 million and KZT 1 million, respectively.

12. Financial assets and liabilities at fair value through profit or loss

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Financial assets at fair value through profit or loss:		
Debt securities	38,485	85,397
Equity investments	11,782	12,513
Derivative financial instruments	1,477	39,588
Total financial assets at fair value through profit or loss	**51,744**	**137,498**

The financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

	31 March 2018(unaudited)		31 December 2017	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:				
Bonds of Kazakhstani companies	6.00-13.00	16,207	6.00-13.00	18,169
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.48-9.70	6,737	4.48-9.70	44,171
Short-term NBRK notes	-	6,143	-	8,310
Bonds of Kazakhstani banks	7.00-11.00	3,514	7.00-11.00	3,468
Bonds of the Development Bank of Kazakhstan	6.50-11.00	2,737	6.00-11.00	5,075
Bonds of Eurasian Development Bank	9.40-10.10	2,497	9.40-10.10	2,438
Eurobonds of Kazakhstani banks	7.51	578	7.34	1,100
Eurobonds of Kazakhstani companies	6.95	72	6.95	78
Municipal bonds of the Russian Federation	-	-	10.00	2,086
Bonds of Russian companies	-	-	10.75	502
		38,485		**85,397**

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Equity investments*:		
Shares of Kazakhstani companies	9,344	8,932
Shares of foreign companies	2,047	501
GDRs of Kazakhstani banks	386	1,386
GDRs of Kazakhstani companies	3	1,178
Shares of Kazakhstani banks	2	516
	11,782	**12,513**

* As at 31 March 2018, the Group's ownership interest in equity securities did not exceed 1.44% (31 December 2017: 2.41%).

As at 31 March 2018 and 31 December 2017, there were no financial assets at fair value through profit or loss pledged under repurchase agreements.

	31 March 2018 (unaudited)			31 December 2017		
	Notional amount	Fair value (KZT million)		Notional amount	Fair value (KZT million)	
		Assets	Liabilities		Assets	Liabilities
Derivative financial instruments:						
Foreign exchange contracts:						
Swaps	1,086,650	1,464	(6,608)	1,027,551	39,586	(492)
Spot	10,842	13	(8)	1,352	2	(1)
		1,477	**(6,616)**		**39,588**	**(493)**

13. Loans to customers

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Recorded as loans and receivables:		
Loans to customers	1,540,574	1,639,839
Net investments in finance lease	148	825
	1,540,722	1,640,664
Less: provision for expected credit losses (IAS 39 – less: provision from impairment losses)	(816,729)	(876,024)
	723,993	**764,640**

Movements in provision for expected credit losses on loans to customers for the three months ended 31 March 2018 and 2017 are disclosed in Note 5.

The table below presents the loans secured by type of collateral, rather than the sum of the fair value of collateral:

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Analysis by type of collateral:		
Loans collateralized by corporate guarantees	217,081	202,587
Loans collateralized by pledge of real estate and land	182,210	190,387
Loans collateralized by pledge of inventories	72,319	75,620
Loans collateralized by financial institutions guarantees	28,967	57,168
Loans collateralized by mixed collateral types*	26,351	29,535
Loans collateralized by pledge of equipment	14,856	15,309
Loans collateralized by pledge of future cash flows	6,331	7,159
Loans collateralized by cash or guarantees of the Government of the Republic of Kazakhstan	4,803	7,391
Loans collateralized by pledge at registration stage (real estate, land, shares, guarantees, other)	3,017	1,700
Loans collateralized by shares	90	736
Unsecured loans	167,968	177,048
	723,993	**764,640**

*Mixed types of collateral consist of different types of collateral, including real estate, guarantees and inventories. Loans are classified as loans collateralized by mixed collateral, in the case where the division into the types described above is impracticable.

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Analysis by sector:		
Individuals	290,028	301,425
Wholesale and retail trade	68,582	75,814
Housing construction	45,384	46,083
Commercial real estate construction	39,168	40,149
Food industry	37,539	38,073
Industrial and other construction	31,681	33,533
Real estate	30,314	34,887
Hospitality business	28,766	29,698
Agriculture	28,282	31,205
Energy	26,288	28,810
Transport and communication	14,991	14,943
Mining and metallurgy	10,191	15,614
Production of construction materials	8,710	9,094
Medicine	7,913	7,938
Investments and finance	7,244	7,686
Machinery construction	7,197	7,297
Production of other non-metal materials	1,401	1,940
Other	40,314	40,451
	723,993	**764,640**

During the three months ended 31 March 2018 and year ended 31 December 2017, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 March 2018, such assets in the amount of KZT 119,451 million (31 December 2017: KZT 134,354 million) are included in assets classified as held for sale in the interim consolidated statement of financial position. These assets are represented mostly by real estate, the majority of which will be realized through auctions. As at 31 March 2018 and 31 December 2017, the Group received assets by taking possession of collateral it held as security, which represents construction in progress. As at 31 March 2018, such assets in the amount of KZT 6,878 million (31 December 2017: KZT 6,883 million) are included in assets classified as held for sale in the interim consolidated statement of financial position.

As at 31 March 2018, a significant part of loans 91.41% (31 December 2017: 90.19%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

14. Investments at fair value through other comprehensive income

	31 March 2018 (unaudited) (KZT million)
Debt securities	778,017
Equity investments	201
Total financial assets at fair value through profit or loss	**778,218**

	Nominal interest rate %	31 March 2018 (unaudited) Amount (KZT million)
Debt securities:		
NBK Notes	-	427,840
Bonds of NWF Samruk Kazyna	6.00-6.50	186,976
Bonds of international financial institutions, foreign banks and foreign financial organizations	0.00-1.88	49,248
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.85-8.65	32,913
Treasury bonds of USA	0.75-0.88	23,895
Bonds of Kazakhstani companies	6.00-13.00	23,049
Bonds of Kazakhstani banks	7.00-11.00	17,383
Bonds of Eurasian Development Bank	9.40	8,500
Eurobonds of Kazakhstani companies	3.26-8.00	4,305
Bonds of the Development Bank of Kazakhstan	6.00-10.50	2,624
Municipal bonds of foreign countries	1.50	1,284
		778,017

	31 March 2018 (unaudited) (KZT million)
Equity investments:	
Shares of Kazakhstani companies	184
Shares of foreign companies	17
	201

As at 31 March 2018, provision for expected credit losses on investments at fair value through other comprehensive income amounted to KZT 3,779 million.

15. Investments available-for-sale

	31 December 2017 (KZT million)
Debt securities	1,703,975
Equity securities	476
	1,704,451

	Nominal interest rate %	31 December 2017 Amount (KZT million)
Debt securities:		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.85-9.50	1,082,017
NBK notes	-	273,374
Bonds of JSC NWF Samruk Kazyna	6.00-6.50	189,057
Bonds of international financial institutions, foreign banks and foreign financial institutions	0.00-1.88	64,956
Treasury bonds of the USA	0.75-1.00	33,204
Bonds of Kazakhstani companies	0.00-13.00	20,481
Bonds of Kazakhstani banks	7.00-11.00	17,123
Bonds of Eurasian Development Bank	9.40	8,308
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	3.88	6,464
Eurobonds of Kazakhstani companies	3.26-8.00	3,856
Bonds of Russian companies	8.00-9.80	2,820
Other government bonds of foreign countries	1.50	1,335
Bonds of Russian banks	10.15	621
Bonds of Development Bank of Kazakhstan	6.50	359
		1,703,975

As at 31 December 2017, treasury bills of the Ministry of Finance of Kazakhstan include government securities, which were acquired on special terms by the Bank, which amounted to KZT 1,061,654 million. Special terms include the following: securities are restricted in use and the Bank does not have the right to sell the securities within two years without the consent of NBK, the Ministry of Finance of the Republic of Kazakhstan and the parent company. However, these securities can be used in repo transactions for liquidity management purposes.

	31 December 2017 (KZT million)
Equity securities:	
Shares of Kazakhstani companies	436
Shares of Kazakhstani banks	38
GDR of Kazakhstani banks	2
	476

16. Investments at amortised cost

	Nominal interest rate %	31 March 2018 (unaudited) Amount (KZT million)
Debt securities:		
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	3.85-8.65	1,055,947
Bonds of Russian companies	7.00-11.00	3,605
Municipal bonds of the Russian Federation	13.00	1,971
Bonds of international financial organizations and foreign banks	-	1,944
Bonds of Russian banks	1.88	567
		1,064,034

Investments at amortised cost are presented net of provisions for expected credit losses in the amount of KZT 234 million.

17. Customer accounts

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Recorded at amortized cost:		
Time deposits	1,717,837	1,836,449
Demand deposits	660,364	643,037
Accounts in precious metals	2,840	3,066
	2,381,041	**2,482,552**

As at 31 March 2018, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 12,744 million (31 December 2017: KZT 14,485 million).

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Analysis by sector:		
Individuals	1,428,062	1,441,872
Government related entities	327,270	324,633
Individual services	127,938	125,112
Chemical and petrochemical industry	116,270	123,720
Wholesale and retail trade	66,169	84,224
Agriculture	53,126	74,855
Transport and communication	48,900	32,137
Construction	46,748	70,992
Investments and finance	42,910	28,481
Education	27,787	40,655
Mining and metallurgy	23,034	73,663
Distribution of electricity, gas and water	10,539	8,341
Public organizations and unions	6,614	7,067
Other	55,674	46,800
	2,381,041	**2,482,552**

18. Debt securities issued

	Currency	Maturity date	Annual coupon rate %	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Recorded at amortized cost:					
Eurobonds:					
Issued in May 2011 at the price of 99.353%	USD	May 2018	8.50	95,211	99,405
(Less)/including:					
Discount on Eurobonds issued				(42)	(105)
Accrued interest on Eurobonds issued				3,125	1,150
Total issued Eurobonds				98,294	100,450
Debt securities previously issued by JSC BTA Bank at the price 100.00%	USD	December 2022	5.50	191,988	192,250
Debt securities issued of JSC Kazkommertsbank at the price 99.95%	KZT	January 2022	8.75	95,215	101,399
Debt securities issued of JSC Kazkommertsbank at the price 99.97%	KZT	November 2019	8.40	61,751	60,517
Issued promissory notes of OJSC Moskommertsbank	USD, RUR	On demand	5.51-12.00	290	656
				447,538	**455,272**

As at 31 March 2018, the nominal value of debt securities previously issued by JSC BTA Bank amounted to KZT 237,948 million, while discount and accrued interest expense amounted to KZT 49,232 million and KZT 3,272 million, respectively (31 December 2017: nominal - KZT 246,546 million and discount - KZT 54,296 million).

During the three months ended 31 March 2018, the Group repurchased debt securities issued in the total amount of KZT 6,464 million (during the year ended 31 December 2017: KZT 6,737 million) with maturity in 2022.

During the three months ended 31 March 2018, the Group sold debt securities issued in the total amount of KZT 3,547 million (2017: KZT 11,550 million) with maturity in 2022.

19. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the interim consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 March 2018 and 31 December 2017, the nominal or contract amounts were:

	31 March 2018 (unaudited) (KZT million)	31 December 2017 (KZT million)
Contingent liabilities and credit commitments:		
Guarantees issued and similar commitments	80,064	88,248
Commitments on loans and unused credit lines	43,381	42,260
Letters of credit and other transaction related to contingent obligations	7,396	9,341
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	9	11
Total contingent liabilities and credit commitments	**130,850**	**139,860**
Less collateral in cash*	(12,744)	(14,485)
Less provision for guarantees and other contingencies (Note 5)	(15,021)	(15,215)
Total contingent liabilities and credit commitments, net	**103,085**	**110,160**

*Of these, KZT 12,744 million were taken into account as customer accounts (31 December 2017: KZT 14,485 million).

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 March 2018, the amount of contingent liabilities on such unused credit lines equals to KZT 107,700 million (31 December 2017: KZT 120,958 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this interim condensed consolidated financial information.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reliably measured. No provision has been made in this interim condensed consolidated financial information for any of the contingent liabilities mentioned below.

Taxation

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

20. Transactions with related parties

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below:

	31 March 2018 (unaudited) (KZT million)		31 December 2017 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Financial assets at fair value through profit or loss	**390**	**51,744**	**1,498**	**137,498**
- parent company	390		1,498	
Loans and advances to banks and other financial institutions	**6,154**	**408,497**	**12,693**	**528,781**
-parent company	6,154		12,693	
Loans to customers, before provision for expected credit losses	**30**	**1,540,722**	**1,442**	**1,640,664**
- key management personnel of the Bank or its parent	30		42	
- entities with a joint control	-		1,400	
Provision for expected credit losses on loans to customers	**(1)**	**(816,729)**	**(1)**	**(876,024)**
- key management personnel of the Bank or its parent	(1)		(1)	
Other assets, before provision for expected credit losses	**148**	**152,554**	**-**	**148,811**
- key management personnel of the Bank or its parent	1		-	
- other related parties	147		-	
Loans and advances from banks and other financial institutions	**20,826**	**49,865**	**22,672**	**58,474**
- parent company	20,826		22,672	
Customer accounts	**4,835**	**2,381,041**	**2,314**	**2,482,552**
- entities under common control	255		280	
- key management personnel of the Bank or its parent	332		353	
- other related parties	4,248		1,681	
Financial liabilities at fair value through profit or loss	**2**	**6,616**	**-**	**493**
- parent company	2			
Other liabilities	**210**	**35,082**	**-**	**39,749**
- parent company	75		-	
- entities under common control	135		-	
Guarantees issued and similar commitments	**5**	**80,064**	**5**	**88,248**
- other related parties	5		5	
Commitments on loans and unused credit lines	**25**	**43,381**	**28**	**42,260**
- key management personnel of the Bank	25		28	

Included in the interim consolidated statement of profit or loss for the three months ended 31 March 2018 and 2017 are the following amounts which arose due to transactions with related parties:

	For the three months ended 31 March 2018 (unaudited) (KZT million)		For the three months ended 31 March 2017 (unaudited) (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	**17**	**70,763**	**50,588**	**92,555**
- key management personnel of the Bank	-		39	
- entities under common control	17			
- BTA Bank	-		48,432	
- other related parties	-		2,117	
Interest expense	**(1,484)**	**(45,737)**	**(21)**	**(71,293)**
- parent company	(597)		-	
- key management personnel of the Bank	(877)		(15)	
- entities under common control	(5)		-	
- other related parties	(5)		(6)	
Fee and commission income	**585**	**12,949**	**-**	**11,992**
- parent company	585		-	
Fee and commission expense	**(814)**	**(7,233)**		**(4,421)**
- parent company	(814)		-	
Operating expenses	**(105)**	**(13,993)**	**(852)**	**(18,489)**
- short-term key employee benefits	(105)	(7,461)	(852)	(11,491)
Other income	**841**	**8,076**	**-**	**5,818**
- parent company	841		-	
Recovery of provision for expected credit losses on interest bearing assets, other transactions, guarantees and other contingencies	**-**	**8,326**	**(2,246)**	**10,959**
- key management personnel of the Bank	-		2	
- BTA Bank	-		(2,002)	
- other related parties	-		(246)	

Key management personnel compensation for the three months ended 31 March 2018 and 2017 is represented by short-term employee benefits.

As at 31 March 2018 and 31 December 2017, the Group does not pledge any assets in connection with guarantees issued to management.

21. Segment reporting

Business segments

The Group presents operating segments on the basis of four main products.

The amounts disclosed in the segment analysis below are regularly provided to and reviewed by the chief operating decision maker.

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	As at and for the three months ended 31 March 2018 (unaudited) (KZT million)
External interest income	13,913	11,866	44,536	448	-	-	70,763
Internal interest income	30,759	22,961	(10,053)	-	-	(43,667)	-
External interest expenses	(20,550)	(7,021)	(18,166)	-	-	-	(45,737)
Internal interest expenses	(8,450)	(20,628)	(14,589)	-	-	(43,667)	-
Net interest income before (provision)/recovery of provision for expected credit losses on interest bearing assets	15,672	7,178	1,728	448	-	-	25,026
(Provision)/recovery of provision for credit losses on interest bearing assets	(1,686)	13,333	4,966	-	-	-	16,613
NET INTEREST INCOME	13,986	20,511	6,694	448	-	-	41,639
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(40,263)	-	-	-	(40,263)
Net gain/(loss) on foreign exchange and precious metals operations	732	146	45,665	(6)	-	-	46,537
Fee and commission income	9,188	3,608	153	-	-	-	12,949
Fee and commission expense	(6,158)	(585)	(248)	(242)	-	-	(7,233)
Net loss from investments at fair value through other comprehensive income	-	-	(1,872)	(2)	-	-	(1,874)
Recovery of provision/(provision) for credit losses on investments at fair value through other comprehensive income	-	-	29	(11)	-	-	18
Dividend income	-	(17)	57	-	-	-	40
Net gain from sale of inventory	-	230	-	-	-	-	230
Gain from revaluation of other assets	-	800	38	-	-	-	838
Other income/(expenses)	420	(781)	5,568	2,869	-	-	8,076
NET NON-INTEREST INCOME	4,182	3,401	9,127	2,608	-	-	19,318
OPERATING EXPENSES	(7,476)	(4,234)	(200)	(2,083)	-	-	(13,993)
PROFIT BEFORE OTHER OPERATING PROVISIONS	10,692	19,678	15,621	973	-	-	46,964
Provision on other transactions	-	(7,014)	(634)	(1,571)	-	-	(9,219)
Recovery of provision/(provision) for expected credit losses on guarantees and other contingencies	-	905	27	(18)	-	-	914
PROFIT/(LOSS) BEFORE INCOME TAX	**10,692**	**13,569**	**15,014**	**(616)**	**-**	**-**	**38,659**
Segment assets	**377,428**	**579,683**	**2,403,454**	**102,146**	**39,313**	**(78,059)**	**3,423,965**
Segment liabilities	**1,436,763**	**1,040,315**	**735,663**	**72,075**	**897**	**(130,436)**	**3,155,277**

	Retail banking (unaudited) (KZT million)	Corporate banking (unaudited) (KZT million)	Investment banking (unaudited) (KZT million)	Other (unaudited) (KZT million)	Unallocated (unaudited) (KZT million)	Eliminations (unaudited) (KZT million)	For the three months ended 31 March 2017 (unaudited) (KZT million)
External interest income	11,568	71,342	9,347	298	-	-	92,555
Internal interest income	26,451	14,852	84,738	-	-	(126,041)	-
External interest expenses	(18,313)	(11,955)	(41,025)	-	-	-	(71,293)
Internal interest expenses	(6,839)	(72,636)	(46,566)	-	-	126,041	-
Net interest income before recovery of provision/(provision) for impairment losses on interest bearing assets	12,867	1,603	6,494	298	-	-	21,262
Recovery of provision/(provision) for impairment losses on interest bearing assets	2,993	11,875	-	(4)	-	-	14,864
NET INTEREST INCOME	15,860	13,478	6,494	294	-	-	36,126
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	58,028	-	-	-	58,028
Net gain/(loss) on foreign exchange and precious metals operations	588	5	(39,452)	1	-	-	(38,858)
Fee and commission income	8,162	3,718	112	-	-	-	11,992
Fee and commission expense	(3,557)	(482)	(289)	(93)	-	-	(4,421)
Net realized (loss)/gain on investments available-for-sale	-	-	(971)	50	-	-	(921)
Dividend income	-	-	21	-	-	-	21
Net gain from sale of inventory	-	643	-	-	-	-	643
Loss from revaluation of other assets	-	(776)	(12)	-	-	-	(788)
Other income/(expense)	88	(164)	3,523	2,371	-	-	5,818
NET NON-INTEREST INCOME	5,281	2,944	20,960	2,329	-	-	31,514
OPERATING EXPENSES	(12,845)	(2,500)	(1,141)	(2,003)	-	-	(18,489)
PROFIT BEFORE OTHER OPERATING PROVISIONS	8,296	13,922	26,313	620	-	-	49,151
Provision for impairment losses on other transactions	-	(3,422)	1	(874)	-	-	(4,295)
Recovery of provision/(provision) for guarantees and other contingencies	-	391	(1)	-	-	-	390
PROFIT/(LOSS) BEFORE INCOME TAX	**8,296**	**10,891**	**26,313**	**(254)**	**-**	**-**	**45,246**
Segment assets*	**410,986**	**621,882**	**2,522,617**	**100,094**	**14,157**	**(95,358)**	**3,574,378**
Segment liabilities*	**1,450,201**	**1,127,347**	**804,113**	**72,695**	**1,621**	**(149,739)**	**3,306,238**

*As at 31 December 2017.

22. Fair value of financial instruments

IFRS defines fair value as 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.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

The Group classifies its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	31 March 2018 (unaudited) (KZT million)	Fair value as at 31 December 2017 (KZT million)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Derivative financial assets (Note 12)	125	12	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Derivative financial assets (Note 12)	1,352	39,576	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT internal rate of return	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated.
3) Non-derivative financial assets at fair value through profit or loss (Note 12)						
Debt securities	38,485	85,397	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	11,782	12,513	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments at fair value through other comprehensive income (Note 14):						
Debt securities	778,017	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	201	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Investments available-for-sale (Note 15):						
Debt securities	-	642,321	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity investments	-	474	Level 1	Quoted bid prices in an active market.	N/A	N/A
Debt securities	-	1,061,654	Level 2	Quoted bid prices in a non-active market	N/A	N/A
Equity investments	-	2	Level 2	The market price of a common share, adjusted for the KZT/USD exchange rate and the number of shares in the depositary receipt	N/A	N/A
6) Derivative financial liabilities (Note 12)	45	1	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
7) Derivative financial liabilities (Note 12)	6,571	492	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated

There were no transfers of financial instruments between Level 1 and 2 during the three months ended 31 March 2018. As at 31 December 2017, the Group transferred certain financial assets that are accounted for as available-for-sale equity investments from Level 3 to Levels 1 and 2. The transfer was made in connection with the appearance of market quotations for shares previously included in Level 3. Depository receipts, the underlying assets of which are the indicated shares were transferred to level 2, due to the use for their valuation of the market price of a common share, adjusted for the KZT rate against the US dollar and the number of shares in the depositary receipt.

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for financial assets measured at fair value on recurring basis for the three months ended 31 March 2018 and year ended 31 December 2017, was presented as follows:

	Derivative financial assets (KZT million)	Equity instruments available-for-sale (KZT million)	Derivative financial liabilities (KZT million)
31 December 2016	**5,316**	**18**	**4,385**
Additions	394	-	-
Total gains or (losses):			
- to profit or loss	37,250	-	1,529
- to other comprehensive income	-	6	-
Redemption	(3,002)	-	(5,422)
Refund of prepayment due to partial repayment	(382)	-	-
Reclassification to level 2	-	(2)	-
Reclassification to level 1	-	(22)	-
31 December 2017	**39,576**	**-**	**492**
Total gains or (losses):			
- to profit or loss	(38,224)	-	6,079
31 March 2018 (unaudited)	**1,352**	**-**	**6,571**

As at 31 March 2018 and 31 December 2017, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data and unobservable data, and certain equity securities, which are valued using valuation models not based on observable market data.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not measured at fair value:

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

Loans to customers – the estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using market rates as at the respective year-end and does not consider future expected losses or disposal of loans to customers to a third parties.

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt.

The fair value of financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position compared with the corresponding carrying value in the consolidated financial statements of the Group are presented below:

	31 March 2018 (unaudited)		31 December 2017	
	Carrying amount	Fair value (KZT million)	Carrying Amount	Fair value (KZT million)
Financial assets:				
Loans to customers	723,993	749,182	764,640	769,080
Investments at amortised cost	1,064,034	1,080,523	-	-
Financial liabilities:				
Customer accounts	2,381,041	2,385,296	2,482,552	2,480,304
Debt securities issued	447,538	496,480	455,272	510,354
Other borrowed funds	36,900	10,018	36,480	8,802
Subordinated debt	118,139	117,607	154,642	152,711

				31 March 2018 (unaudited)
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	749,182	749,182
Investments at amortised cost	1,080,523	-	-	1,080,523
Financial liabilities:				
Customer accounts	-	2,385,296	-	2,385,296
Debt securities issued	496,480	-	-	496,480
Other borrowed funds	-	10,018	-	10,018
Subordinated debt	117,607	-	-	117,607

				31 December 2017
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	769,080	769,080
Financial liabilities:				
Customer accounts	-	2,480,304	-	2,480,304
Debt securities issued	510,354	-	-	510,354
Other borrowed funds	-	8,802	-	8,802
Subordinated debt	152,711	-	-	152,711

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, other financial assets and other financial liabilities, loans and advances to banks and other financial institutions and loans and advances from banks and financial institutions approximates fair value due to the short-term nature and concluding of such financial instruments contracts on market terms.

23. Subsequent events

On 20 April 2018, at an annual general meeting of the Bank's shareholders and at a joint general meeting of shareholders of Halyk Bank and the Bank, it was decided to carry out a voluntary reorganization of JSC Kazkommertsbank in the form of a merger with Halyk Bank. At the same time, the property (rights and obligations) of JSC Kazkommertsbank are transferred to JSC Halyk Bank of Kazakhstan from the date of signing the transfer act between them, taking into account the requirements of the legislation of the Republic of Kazakhstan.

On 11 May 2018, the Bank repurchased Eurobonds issued in May 2011 with an initial placement in the amount of USD 300 million. The repayment was made from the Bank’s own funds.