BAITEREK

Baiterek National Managing Holding Joint Stock Company

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditors' Report

31 December 2016

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Independent Auditors' Report

To the Shareholder and Board of Directors of National Managing Holding Baiterek Joint Stock Company

Opinion

We have audited the consolidated financial statements of National Managing Holding Baiterek Joint Stock Company and its subsidiaries (the "Holding"), which comprise the consolidated statement of financial position as at 31 December 2016, 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 Holding as at 31 December 2016, 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 ("ISA"s). 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 Holding in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), 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.

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

Management is responsible for the preparation and fair presentation of these 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 Holding'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 Holding or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Holding'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 skepticism 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 Holding'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 Holding'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 Holding 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 Holding 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

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.

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 # 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

17 April 2017

Baiterek National Managing Holding Joint Stock Company
Consolidated Statement of Financial Position

(In thousands of Kazakhstani Tenge)	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6	451,512,099	376,224,818
Financial instruments at fair value through profit or loss	7	165,095,571	167,193,565
Due from banks	8	743,047,601	544,991,946
Loans to customers	9	1,775,388,385	1,733,170,866
Investment securities available for sale	10	532,243,117	369,338,324
Finance lease receivables	11	155,603,037	62,508,925
Investment in associates and joint ventures	12	1,926,576	2,078,760
Investment property	13	24,512,412	1,813,213
Current income tax prepayment		19,677,752	16,043,192
Deferred income tax asset	34	4,813,645	4,960,948
Property, plant and equipment	14	11,687,480	12,022,859
Intangible assets	15	2,921,743	2,339,687
Non-current assets held for sale	16	23,726,281	16,344,872
Other financial assets	17	21,516,077	23,716,394
Other assets	18	169,525,296	127,577,185
TOTAL ASSETS		**4,103,197,072**	**3,460,325,554**
LIABILITIES			
Customer accounts	19	444,992,956	314,423,007
Debt securities issued	20	1,026,320,825	800,446,305
Subordinated debt	21	15,165,538	14,652,856
Loans from banks and other financial institutions	22	1,101,456,557	1,138,032,857
Loans from the Government of the Republic of Kazakhstan	23	103,624,332	54,381,837
Current income tax liability		5,199	613,748
Deferred income tax liability	34	26,160,281	26,032,406
Insurance contracts liabilities		1,536,207	1,070,893
Liabilities directly attributable to disposal groups held for sale		139,034	146,989
Other financial liabilities	24	70,483,873	41,799,802
Other liabilities	25	369,915,640	205,726,581
TOTAL LIABILITIES		**3,159,800,442**	**2,597,327,281**
EQUITY			
Share capital	26	802,318,712	758,318,712
Revaluation reserve for investment securities available for sale		(31,765,335)	(14,763,833)
Revaluation reserve for financial assets reclassified from “investment securities available for sale” to “loans to customers”		2,931,319	4,522,580
Foreign currency translation reserve		4,663,739	5,259,474
Hedging reserve		(6,673)	3,403,546
Business combination reserve and additional paid-in capital		102,742,890	89,201,158
Other reserves		24,869,011	25,140,351
Retained earnings/(accumulated deficit)		36,820,284	(12,472,799)
Net assets attributable to the Holding's owners		**942,573,947**	**858,609,189**
Non-controlling interests		**822,683**	**4,389,084**
TOTAL EQUITY		**943,396,630**	**862,998,273**
TOTAL LIABILITIES AND EQUITY		**4,103,197,072**	**3,460,325,554**

Approved for issue and signed by the Management on 17 April 2017.

Yersain Yerbulatovich Khamitov
Managing Director-
Member of the Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

(In thousands of Kazakhstani Tenge)	Note	2016	2015
Interest income	27	264,013,146	178,065,019
Interest expense	27	(127,506,549)	(83,095,522)
Net interest income		**136,506,597**	**94,969,497**
Provision for loan portfolio impairment	9	(13,893,595)	(24,986,447)
Net interest income less provision for loan portfolio impairment		**122,613,002**	**69,983,050**
Fee and commission income	28	4,301,532	3,904,095
Fee and commission expense	28	(2,256,662)	(1,762,038)
Net fee and commission income		**2,044,870**	**2,142,057**
Net (loss)/gain on financial assets at fair value through profit or loss	29	(6,274,831)	87,717,562
Net foreign exchange gain/(loss)	30	5,329,462	(42,821,515)
Net gain on investment securities available for sale		2,957,576	156,721
Net insurance premiums earned		601,785	107,919
Net (expense)/income on insurance benefits and changes in insurance contract provisions		(1,215,405)	449,740
Other operating income/(expenses), net	31	4,073,021	(2,834,295)
Operating income		**130,129,480**	**114,901,239**
Provision for impairment of other assets and credit related commitments	32	(36,730,272)	(4,770,600)
Administrative expenses	33	(35,653,102)	(32,623,195)
Share of financial result of associates and joint ventures	12	901,125	(976,780)
Profit before income tax		**58,647,231**	**76,530,664**
Income tax expense	34	(10,093,874)	(27,148,616)
PROFIT FOR THE YEAR		**48,553,357**	**49,382,048**
Profit attributable to:			
- owners of the Holding		48,575,302	49,017,188
- non-controlling interest		(21,945)	364,860
Profit for the year		**48,553,357**	**49,382,048**

(In thousands of Kazakhstani Tenge)	Note	2016	2015
PROFIT FOR THE YEAR		**48,553,357**	**49,382,048**
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Revaluation reserve for investment securities available for sale:			
- Losses less gains from revaluation		(13,850,374)	(7,174,955)
- Losses less gains reclassified to profit or loss		(3,151,128)	(156,721)
Income tax recognised directly in other comprehensive income	34	-	(368,467)
Foreign currency exchange differences on translation to presentation currency		(595,735)	4,361,392
Unrealised (losses less gains)/ gains less losses on hedging		(3,410,219)	3,752,130
Amortisation of revaluation reserve for investment securities available for sale reclassified to loans to customers		(1,591,261)	(1,863,823)
Other comprehensive loss for the year		**(22,598,717)**	**(1,450,444)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,954,640**	**47,931,604**
Total comprehensive income attributable to:			
- owners of the Holding		25,976,585	47,566,744
- non-controlling interest		(21,945)	364,860
Total comprehensive income for the year		**25,954,640**	**47,931,604**

	Attributable to owners of the Holding										
(In thousands of Kazakhstani Tenge)	**Share capital**	**Revaluation reserve for investment securities available for sale**	**Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"**	**Foreign currency translation reserve**	**Hedging reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Accumulated deficit**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2015	**718,318,712**	**(7,063,690)**	**6,386,403**	**898,082**	**(348,584)**	**89,147,503**	**24,618,200**	**(33,057,692)**	**798,898,934**	**847,214**	**799,746,148**
Profit for the year	-	-	-	-	-	-	-	49,017,188	49,017,188	364,860	49,382,048
Other comprehensive loss	-	(7,700,143)	(1,863,823)	4,361,392	3,752,130	-	-	-	(1,450,444)	-	(1,450,444)
Total comprehensive income for the year	**-**	**(7,700,143)**	**(1,863,823)**	**4,361,392**	**3,752,130**	**-**	**-**	**49,017,188**	**47,566,744**	**364,860**	**47,931,604**
Share issue – cash contribution (Note 26)	40,000,000	-	-	-	-	-	-	-	40,000,000	-	40,000,000
Provision for compensation of customer accounts (Notes 24 and 25)	-	-	-	-	-	-	-	(24,000,000)	(24,000,000)	-	(24,000,000)
Transfers and other movements	-	-	-	-	-	53,655	522,151	(4,432,295)	(3,856,489)	3,177,010	(679,479)
Balance at 31 December 2015	**758,318,712**	**(14,763,833)**	**4,522,580**	**5,259,474**	**3,403,546**	**89,201,158**	**25,140,351**	**(12,472,799)**	**858,609,189**	**4,389,084**	**862,998,273**

	Attributable to owners of the Holding										
(In thousands of Kazakhstani Tenge)	**Share capital**	**Revaluation reserve for investment securities available for sale**	**Revaluation reserve for financial assets reclassified from “investment securities available for sale” to “loans to customers”**	**Foreign currency translation reserve**	**Hedging reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2016	**758,318,712**	**(14,763,833)**	**4,522,580**	**5,259,474**	**3,403,546**	**89,201,158**	**25,140,351**	**(12,472,799)**	**858,609,189**	**4,389,084**	**862,998,273**
Profit for the year	-	-	-	-	-	-	-	48,575,302	48,575,302	(21,945)	48,553,357
Other comprehensive loss	-	(17,001,502)	(1,591,261)	(595,735)	(3,410,219)	-	-	-	(22,598,717)	-	(22,598,717)
Total comprehensive income for the year	**-**	**(17,001,502)**	**(1,591,261)**	**(595,735)**	**(3,410,219)**	**-**	**-**	**48,575,302**	**25,976,585**	**(21,945)**	**25,954,640**
Share issue – cash contribution (Note 26)	44,000,000	-	-	-	-	-	-	-	44,000,000	-	44,000,000
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(3,544,456)	(3,544,456)
Recognition of discount on debt securities issued, less taxes of Tenge 3,385,433 thousand (Note 20)	-	-	-	-	-	13,541,732	-	-	13,541,732	-	13,541,732
Return of unused compensation (Note 24)	-	-	-	-	-	-	-	1,556,078	1,556,078	-	1,556,078
Transfers and other movements	-	-	-	-	-	-	(271,340)	(838,297)	(1,109,637)	-	(1,109,637)
Balance at 31 December 2016	**802,318,712**	**(31,765,335)**	**2,931,319**	**4,663,739**	**(6,673)**	**102,742,890**	**24,869,011**	**36,820,284**	**942,573,947**	**822,683**	**943,396,630**

(In thousands of Kazakhstani Tenge)	Note	2016	2015
Cash flows from operating activities			
Interest receipts		219,683,148	146,050,786
Interest payments		(85,060,011)	(56,168,237)
Fee and commission receipts		6,641,651	5,362,841
Fee and commission payments		(4,742,742)	(1,704,278)
Net (loss)/gain from derivative financial instruments		(193,209)	787,566
Net foreign exchange (loss)/gain	30	(468,970)	4,505,197
Revenue from disposal of assets leased out to customers		373,333	-
Net insurance premiums written		601,785	962,266
Net insurance claims (payments)/reimbursements		(324,364)	132,764
Other operating income receipts		10,580,226	5,965,419
Administrative and other operating expenses paid		(33,565,609)	(30,484,221)
Income tax paid		(8,464,397)	(11,054,850)
Cash flows from operating activities before changes in operating assets and liabilities		**105,060,841**	**64,355,253**
Net (increase)/decrease in:			
Financial instruments at fair value through profit or loss		1,160,716	(22,098,743)
- due from banks		(231,265,098)	(129,651,322)
- loans to customers		(57,897,819)	(201,790,315)
- finance lease receivables		6,664,378	(25,786,910)
- receivables under reverse repurchase agreement		-	81,481
- other financial assets		(3,175,107)	(9,248,681)
- other assets		(206,505,313)	(89,735,510)
Net (decrease)/increase in:			
- customer accounts		116,664,801	45,841,626
- other financial liabilities		28,319	36,205,419
- other liabilities		(5,304,402)	(17,533,936)
Net cash used in operating activities		**(274,568,684)**	**(349,361,638)**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(474,496,163)	(59,100,690)
Proceeds from disposal and redemption of investment securities available for sale		293,211,997	119,728,968
Proceeds from disposal and redemption of investment securities held to maturity		-	3,710,029
Acquisition of property, plant and equipment and intangible assets		(2,806,463)	(4,316,297)
Proceeds from disposal of property, plant and equipment		557,370	40,587
Proceeds from disposal of investment property		-	65,190
Proceeds from disposal of associates and joint ventures		6,499,863	413
Dividends received		914,057	368,139
Net cash (used in)/from investment activities		**(176,119,339)**	**60,496,339**

(In thousands of Kazakhstani Tenge)	Note	2016	2015
Cash flows from financing activities			
Loans from banks and other financial institutions		68,376,427	105,695,537
Repayment of loans from banks and other financial institutions		(104,734,325)	(46,313,801)
Loans from the Government of the Republic of Kazakhstan		126,104,097	2,800,000
Repayment of loans from the Government of the Republic of Kazakhstan		(639,390)	(750,000)
Proceeds from issuance of ordinary shares	26	44,000,000	40,000,000
Proceeds from debt securities issued	20	467,000,000	315,595,125
Repayment/repurchase of debt securities issued		(65,998,239)	(103,313,827)
Proceeds from contributions by non-controlling interest		-	593,564
Net cash received from financing activities		**534,108,570**	**314,306,598**
Effect of changes in exchange rates on cash and cash equivalents		(8,133,266)	87,006,372
Net increase in cash and cash equivalents		**75,287,281**	**112,447,671**
Cash and cash equivalents at the beginning of the year	6	376,224,818	263,777,147
Cash and cash equivalents at end of the year	6	**451,512,099**	**376,224,818**

1 Introduction

These consolidated financial statements comprise the financial statements of Baiterek National Managing Holding Joint Stock Company (the "Holding Company") and financial statements of its subsidiaries (the "Holding").

The Holding was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan No. 571 "On some measures for optimisation of the management system of development institutes and financial organisations, and development of the national economy" dated 22 May 2013 and the Decree of the Government of the Republic of Kazakhstan No. 516 "About measures for implementation of the Decree of the President of the Republic of Kazakhstan No. 571 dated 22 May 2013" dated 25 May 2013. As at 31 December 2016 and 2015, the ultimate controlling party of the Holding is the Government of the Republic of Kazakhstan.

Principal activity

The Holding's mission is support of sustainable economic development of the Republic of Kazakhstan in order to implement state policy and achieve the goals set by the "Strategy - 2050".

The Holding is actively involved in completing national strategic and social tasks through development institutions through the implementation of Nurly-Zhol State Program for Infrastructure Development in 2015-2019, "Nurly Zher" Housing Construction Program, State Program of the Industrial and Innovative Development of the Republic of Kazakhstan in 2015-2019, Unified Program for Business Support and Development "Business Road Map – 2020", Support Programmes for Local Producers, Support Programmes for Small and Medium Businesses ("SMB"), State Program "Performance - 2020", State Program for Development of Regions until 2020, State Program for Support of Domestic Producers, State Program for Financing of Small and Medium Businesses in Manufacturing Industry, State Program "Leaders of Competitiveness - National Champions", and President of the Republic of Kazakhstan Program "National Plan - 100 Specific Steps".

The Holding's main objectives and targets are as follows:

- introduction of an efficient risk management system;
- increase of transparency and population's confidence in the economy;
- provision of synergies from subsidiaries' activities;
- increase of economic efficiency of subsidiaries' activity / break-even principle;
- attraction of additional investments;
- interaction with the private sector.

The Holding's structure comprises eleven subsidiaries engaged in the implementation of state policy and state programs having the following directions of activity pursuant to the Holding's strategy:

- Development institutions include the Development Bank of Kazakhstan JSC, Investment Fund of Kazakhstan JSC, KazExportGarant Export Insurance Corporation JSC, Damu Entrepreneurship Development Fund JSC, National Agency for Technological Development JSC and Kazyna Capital Management JSC. The aim of these institutions is to provide credit, investment and other financial and non-financial support to investment projects in priority sectors of economy directed to diversify the economy and development of the secondary sector, export of Kazakhstani products, development of innovations and development of small and medium sized business.
- Financial institutions include Housing Construction Savings Bank of Kazakhstan JSC, Mortgage Organisation Kazakhstan Mortgage Company JSC and Housing Construction Guarantee Fund JSC (formerly, Mortgage Guarantee Fund of Kazakhstan JSC).The aim of these institutions is to provide, attract and decrease the cost of long-term financing for mortgages and participation in the implementation of state residential and construction policies.
- Baiterek Development JSC, an institution established to support entrepreneurs in the processing industry and improve the issues of the real estate market that have arisen from 2008-2010 financial crisis.
- Kazakhstan Project Preparation Fund LLP, an institution established to structure and support infrastructure projects, including public-private partnership projects.

1 Introduction (continued)

Below are the major subsidiaries included into these consolidated financial statements of the Holding:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 31 December 2016	Ownership, % 31 December 2015
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00	100.00
KazExportGarant Export Insurance Corporation JSC	KEG JSC	Republic of Kazakhstan	100.00	100.00
DAMU Entrepreneurship Development Fund JSC	Damu EDF JSC	Republic of Kazakhstan	100.00	100.00
National Agency for Technological Development JSC	NATD JSC	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	ZHSSBK JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Organisation Kazakhstan Mortgage Company JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Guarantee Fund JSC (formerly Mortgage Guarantee Fund of Kazakhstan JSC)	HCGF JSC (formerly KFMGL JSC)	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Project Preparation Fund LLP	KPPF LLP	Republic of Kazakhstan	97.70	75.00

DBK JSC was incorporated in 2001 in accordance with the Law of the Republic of Kazakhstan "On Development Bank of Kazakhstan" No. 178-II dated 25 April 2001. DBK JSC is a national development institution, the principal activity of which is the improvement and increase of the efficiency of state investment activity, development of production infrastructure, processing industry, assistance in the attraction of external and internal investments in national economy.

IFK JSC is a state development institution and management company for restructuring and management of distressed assets. IFK JSC was incorporated by the Decree of the Government of RK dated 30 May 2003 No. 501. The principal activity of IFK JSC is assistance in the implementation of Strategy for Industrial and Innovation Development of the Republic of Kazakhstan through investments in certain areas of economy and management of risk-bearing investments portfolio.

KEG JSC was incorporated in accordance with the Decree of the Government of the Republic of Kazakhstan dated 12 May 2003 No. 442. It is the only specialised insurance organisation that performs the functions of export and credit agent of the Republic of Kazakhstan.

Damu EDF JSC was incorporated in accordance with the Decree of the Government of the Republic of Kazakhstan dated 26 April 1997 No. 665. The principal activity of Damu EDF JSC is crediting small and medium sized businesses and microfinancing organisations through commercial banks. Credit risk of ultimate borrowers is transferred to commercial banks.

NATD JSC was incorporated on 20 March 2012 in accordance with the Decree of the Government of the Republic of Kazakhstan dated 21 July 2011 No. 836. The principal activity of NATD JSC is providing assistance and support to the processes of innovative development and provision of state support measures, assistance and participation in creation of innovative infrastructure, transfer of technologies, introduction of best practices of management, creation and development of regional technological parks in the Republic of Kazakhstan.

KCM JSC was incorporated on 7 March 2007 by the Government of the Republic of Kazakhstan in accordance with the laws of the Republic of Kazakhstan. The principal activity of KCM JSC is the creation and participation in investment funds and investing in financial instruments.

ZHSSBK JSC was incorporated in accordance with the Decree of the Government of the Republic of Kazakhstan dated 16 April 2003 No. 364 for the purposes of development of the system of residential construction savings in the Republic of Kazakhstan. ZHSSBK JSC attracts funds of customers to residential construction savings, issues various residential mortgage loans to its customers, trades with securities and places funds with banks.

KMC JSC was incorporated on 29 December 2000 in accordance with the Resolution of the National Bank of the Republic of Kazakhstan No. 469 dated 20 December 2000. The principal activity of KMC JSC is the provision of mortgage loans pursuant to regulatory authorities' license, as well as the performance of trust management, factoring, forfeiting and leasing transactions.

1 Introduction (continued)

HCGF JSC was incorporated on 10 November 2003 in accordance with the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 27 October 2003 No. 386. The principal activity of HCGF JSC is increasing of the access of people to mortgage lending programs by sharing credit risks with creditors (second tier banks and mortgage organisations), insurance organisations and investors. HCGF JSC is a non-commercial organisation and carries out activity on guaranteeing mortgage loans.

BD JSC was incorporated on 19 November 2008 in accordance with the Decree of the Government of the Republic of Kazakhstan dated 1 November 2008 No. 996. The principal activity of BD JSC is supporting financial system stability through the improvement of banking sector assets quality and the increase of investors' confidence in the banking sector.

KPPF LLP was incorporated on 19 March 2014 in accordance with the resolution of PPP Coordination Council of the Republic of Kazakhstan dated 13 September 2013. The principal activity of KPPF LLP is structuring and support to investment and infrastructure projects, including PPP projects, providing services of analysis and appraisal of feasibility of the investment and infrastructure projects, and advisory support of the projects.

Registered address and place of business. The Holding's legal address and place of business is: 8 Kunayev St., Block B, Astana, Republic of Kazakhstan.

Presentation currency. These consolidated financial statements are presented in thousands Kazakhstani Tenge ("Tenge"), unless otherwise stated.

2 Operating environment of the Holding

The Holding's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding is exposed to the economic and financial markets of the Republic 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 the Republic of Kazakhstan.

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

Management is unable to predict all developments which could have an impact on the financial sector and wider economy and consequently what effect, if any, they could have on the future financial position of the Holding. Management believes it is taking all the necessary measures to support the sustainability and development of the Holding's business.

3 Summary of significant accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment securities available for sale, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

Going concern. Management of the Holding has prepared these consolidated financial statements on a going concern basis.

3 Summary of Significant Accounting Policies (continued)

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Holding Company controls because the Holding Company (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Holding Company has power over another entity.

For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Holding Company may have power over an investee even when it holds less than majority of voting power in an investee.

In such a case, the Holding Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Holding Company from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Holding Company, and are deconsolidated from the date on which control ceases, except for the subsidiaries acquired from the parties under common control.

The acquisition method of accounting is used to include subsidiaries to the consolidated financial statements with an exception of purchase of subsidiaries from entities under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest when acquisition method is applied.

The Holding measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Holding companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Holding Company and all of its subsidiaries use uniform accounting policies consistent with the Holding's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Holding. Non-controlling interest forms a separate component of the Holding's equity.

Purchases and sales of non-controlling interests. The Holding applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Holding recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted under predecessor method of accounting. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements.

Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to additional paid in capital within equity.

3 Summary of significant accounting policies (continued)

Disposals of subsidiaries, associates or joint ventures. When the Holding ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Holding had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost. Description of those methods is presented below.

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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Summary of significant accounting policies,(continued)

Financial instruments – key measurement terms (continued)

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Holding commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Holding uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards, loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the currency swaps, foreign exchange forwards, loans to related parties.

Derecognition of financial assets. The Holding derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Holding has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the National Bank of the Republic of Kazakhstan (the "NBRK"), all interbank placements and reverse repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Holding, including amounts charged or credited to the current accounts of the Holding's counterparties held with the Holding, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the NBRK. Mandatory cash balances with the NBRK are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Holding's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Trading securities. Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Holding classifies securities into trading securities if it has an intention to sell them within a short period after purchase.

The Holding may choose to reclassify a non-derivative trading financial asset out of the fair value through the profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Holding has the intention and ability to hold these financial assets for the foreseeable future, or until maturity.

Trading securities are carried at fair value. Interest income earned on trading securities calculated using the effective interest method is presented in profit or loss for the year as interest income. Dividends are included in dividend income within other operating income when the Holding's right to receive the dividend payment is established, and it is probable that the dividends will be collected.

All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss for the year as gains less losses from trading securities in the period in which they arise.

3 Summary of significant accounting policies (continued)

***Other securities at fair value through profit or loss**.* Other securities at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates securities into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Holding's Board of Directors. Recognition and measurement of this category of financial assets is consistent with the above policy for trading securities.

Due from banks. Amounts due from other banks are recorded when the Holding advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans to customers. Loans issued to customers are recorded when the Holding advances money to purchase or originate an unquoted non-derivative receivable due on fixed or determinable dates, and has no intention of trading the receivable. Loans to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Holding determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment.

The primary factors that the Holding considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Holding obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

3 Summary of significant accounting policies (continued)

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Holding in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Holding's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

The Holding applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation). Accounting policy for associates is applied to repossessed shares where the Holding obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

Credit related commitments. The Holding issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Holding will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required settling the commitment at the end of each reporting period.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to the present value. Where the Holding has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as loans and receivables upon transfer of the loss compensation to the guarantee's beneficiary.

Investment securities available for sale. This classification includes investment securities which the Holding intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year.

Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Holding's right to receive payment is established and it is probable that the dividends will be collected.

All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale 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 through profit or loss for the year.

3 Summary of significant accounting policies (continued)

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase payables. The corresponding liability is presented within amounts due to other banks.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Holding, are recorded as amounts receivable under reverse repo agreements depending on a counterparty. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within profit or loss on financial instruments at fair value through profit or loss, or profit or loss on investment securities available for sale. The obligation to return the securities is recorded at fair value in other borrowed funds.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Holding has both the intention and ability to hold until maturity. An investment is not classified as a held to maturity investment if the Holding has the right to require that the issuer repay or redeem the investment before its maturity, because paying for such a feature is inconsistent with expressing an intention to hold the asset until maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

Investment property. Investment property is a property held by the Holding to earn rental income or for capital appreciation, or both and which is not occupied by the Holding. Investment property includes assets under construction for future use as investment property. Investment property is initially recognised at cost, including transaction costs. Earned rental income is recorded in profit or loss for the year within other operating income.

If any indication exists that investment properties may be impaired, the Holding estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Holding, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation of premises and equipment and accumulated impairment losses, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

3 Summary of significant accounting policies (continued)

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful life (in years)
Buildings	8 - 100
Vehicles	5 - 7
Office and computer equipment	2 - 10
Other	3 - 20

The residual value of an asset is the estimated amount that the Holding would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Holding's intangible assets except goodwill have definite useful life and primarily include capitalised computer software and other licenses acquired. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Holding are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised on a straight line basis over the following expected useful lives assets:

	Useful life (in years)
Software licenses and patents	3 - 20
Internally developed software	1 - 14
Other	2 - 15

***Operating leases**.* Where the Holding is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Holding, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease receivables. Where the Holding is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within other operating income in profit or loss for the period.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Holding uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease

3 Summary of significant accounting policies (continued)

Non-current assets held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the consolidated statement of financial position as non-current assets held for sale if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Holding's management approved and initiated an active program to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current and non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment, investment properties and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Discontinued Operations. A discontinued operation is a component of the Holding that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Loans from banks and other financial institutions. Loans from banks and other financial institutions are recorded when money or other assets are advanced to the Holding by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost

Debt securities issued. Debt securities issued include Eurobonds expressed in US Dollars, Islamic Bonds "Sukuk-Al-Murabaha" in Malaysian ringgits and other bonds issued by the Holding and its subsidiaries in Kazakhstani Tenge. Debt securities are stated at amortised cost. If the Holding purchases its own debt securities in issue, they are 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 arising from early retirement of debt.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year within gains or losses on financial assets at fair value through profit or loss or gains less losses on derivatives.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Government grants. Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Holding in return for past or future compliance with certain conditions relating to the operating activities of the Holding. Government grants are not recognised until there is reasonable assurance that the Holding 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 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 and the proceeds received.

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

There are two broad approaches to the accounting for government grants: the capital approach, under which a grant is recognised outside profit or loss, and the income approach, under which a grant is recognised in profit or loss over one or more periods.

If the government is acting as a lender - i.e. in the same way as an unrelated lender - then a gain or loss are recognised in profit or loss. If the loan is from the government acting in the capacity of a shareholder, then the resulting credit is reflected in equity.

3 Summary of significant accounting policies (continued)

Income tax. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted using tax rates and provision of law or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the consolidated financial statements are authorised prior to the filing of the relevant tax return. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Holding.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Holding controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Holding's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of the Holding were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Holding has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded as a liability and deducted from equity at the end of the reporting period only if they were declared and approved prior to the end of the reporting period inclusive. Any dividends recommended prior to the end of the reporting period and recommended or declared after the end of the reporting period but before the consolidated financial statements are authorised for issue are disclosed in the consolidated financial statements.

Additional paid-in capital. Holding and its subsidiaries receives funding from the Government of the Republic of Kazakhstan, "National Welfare Fund "Samruk-Kazyna" JSC (the "NWF Samruk Kazyna JSC") or public bodies responsible for various state programs in the form of loans and subordinated bonds at a low interest rate. At initial recognition, this financing is recognised at fair value, which is estimated using appropriate market interest rates to discount contractual future cash flows. The difference between the fair value and the funding received is recognised as additional paid-in capital, except for the loans issued with specific conditions on return of the undisbursed portion of the funds. Difference between the fair value of the loans issued with the payback claim and funds received is recognised as deferred income, which is transferred to profit or loss during the loan term.

3 Summary of significant accounting policies (continued)

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Holding to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Holding will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Holding does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful, they are written down to the present value of expected collection of cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Holding retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of each of the Holding's subsidiaries is the currency of the primary economic environment in which the subsidiaries operate. The functional currency of the Holding and the Holding's presentation currency is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge.

Monetary assets and liabilities are translated into each subsidiary's functional currency at the official exchange rate of Kazakhstan Stock Exchange (the "KASE") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each subsidiary's functional currency at year-end official exchange rates of the KASE, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Loans between Holding subsidiaries and related foreign exchange gains or losses are eliminated upon consolidation.

The official exchange rates used for translating foreign currency balances are as follows:

	31 December 2016	**31 December 2015**
US Dollar		
Rate at year end	333.29	340.01
Average rate for the year	341.67	222.07
Russian Rouble		
Rate at year end	5.43	4.61
Average rate for the year	5.12	3.62
Euro		
Rate at year end	352.42	371.46
Average rate for the year	378.04	246.48

3 Summary of significant accounting policies (continued)

Foreign currency translation (continued) The Holding includes subsidiaries with a functional currency different from the currency of the Holding. Respectively, the results of operations and financial position of each subsidiary (functional currency is not the Kazakhstani Tenge) is translated into the presentation currency as follows:

(i) assets and liabilities in each of the statement of financial position presented are translated using the closing rate at the end of the relevant reporting period;

(ii) income and expenses are translated using average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates , income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised translation in equity.

In case of loss of control over the foreign subsidiary exchange differences previously recognised in other comprehensive income to be transferred to profit or loss for the year as part of the profit or loss on disposal. In the case of a partial disposal of a subsidiary without loss of control of the relevant part of the cumulative translation differences transferred to the non-controlling interest in equity.

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

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Holding. The Holding has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution plan.

Presentation of the consolidated statement of financial position in order of liquidity. The Holding does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, analysis of assets and liabilities by their expected and contractual maturities are presented in Note 35.

Amendments of the consolidated financial statements after issue. The Holding’s Board of Directors has the power to amend the consolidated financial statements after issue.

4 Critical accounting estimates and judgments in applying accounting policies

The Holding makes estimates and assumptions that affect the reported amounts and carrying amount of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans. The Holding regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Holding makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. Information about significant areas of estimation uncertainty and critical judgments in regard to loan impairment is described Note 9.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by the management.

Other financial assets at fair value through profit or loss. KCM JSC invests in private equity funds, which then invest the received funds into a capital of venture capital companies within the Republic of Kazakhstan and beyond of its borders. Investments are made independently by the fund managers in accordance with investment strategy agreed with KCM JSC. KCM JSC receives quarterly reports on fair value of the investments and does not participate in investment and operating decisions for the funds. The management of the Holding classifies these investments to the category of financial instruments at fair value through profit or loss, and estimates the fair value of these investments by determining the fair value of individual ultimate investments using financial models as described in Note 39.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations (Note 36).

Initial recognition of related party transactions. In the normal course of business the Holding enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 41.

Determining the fair value of financial instruments in emerging stock market in the Republic of Kazakhstan. In determining the fair value of financial instruments, the Holding uses quotes from the KASE as the most reliable source of information in an active market.

The Holding management analyses the frequency of operations conducted on the KASE in respect of securities in the portfolio and securities that are traded with sufficient frequency and sufficient volume are classified as Level 1 securities. The remaining securities that are listed on the KASE are classified as Level 2 securities.

If the Holding has investments in unquoted assets, the fair value of such assets is determined based on valuation techniques such as discounted cash flow model as well as models based on data from similar operations performed on market conditions.

The management of the Holding believes that it used every possible and the most complete and accurate sources of fair value to measure reliably the fair value of these financial instruments.

Derivative financial instruments. The Holding's approach to financial derivative transactions is disclosed in Note 38.

Initial recognition of the borrowings and investments at the rates below market rates under the state development programs. Approach to accounting and evaluation of borrowings and loans to subsidiaries made under state programs of the economic development in 2016 is disclosed in Notes 8, 9 and 20.

Comparative information. As at 31 December 2016 comparative information is reclassified to conform to changes in presentation of the consolidated financial statements in the current year. As at 31 December 2015, the Holding reclassified a movement in the amount of Tenge 7,927,940 thousand from investing activities to operating activities in the consolidated statement of cash flows for the year ended 31 December 2014 due to change in estimate made by the Management of Holding.

5 New accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2016, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the consolidated financial position and performance of the Holding. The Holding plans to adopt these pronouncements when they become effective.

(a) IFRS 9 *Financial Instruments*

IFRS 9 *Financial instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement. IFRS 9 contains 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). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months (‘12-month ECL’) or expected credit losses resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Initial amount of expected credit losses recognized for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognized are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the PDxLGDxEAD approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

Hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39

***Transition*.** The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Holding does not intend to adopt this standard early.

During the year ended 31 December 2016 the Holding performed a gap analysis, impact analysis and worked out a Roadmap for transition to IFRS 9. Three working groups were established as a part of this project covering the following lines: Accounting, Risk Management and Information Technologies. On the basis of the Roadmap there have been prepared the detailed action plans for transition to IFRS 9 that will start to be implemented from April 2017.

5 New accounting pronouncements (continued)

(b) IFRS 16 Leases

IFRS 16 Leases replaces the existing lease accounting guidance in 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. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted. The Holding does not intend to adopt this standard early. The Holding is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

(c) Other amendments

The following new or amended standards are not expected to have a significant impact on the Holding's consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers
- Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 Income Taxes)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-Based Payment).

6 Cash and cash equivalents

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
Current accounts	162,314,682	123,547,809
Correspondent accounts and overnight placements with other banks	122,000,528	52,794,786
Cash balances with the NBRK	85,140,618	164,639,306
Notes of NBRK maturing within three months	40,069,124	-
Receivables under reverse repurchase agreements with original maturities of less than three months	39,546,142	30,385,675
Cash on hand	2,816,451	1,383,058
Deposits with other banks with original maturities of less than three months	-	2,004,728
Mandatory reserves with the NBRK	2,150,291	1,469,456
Total cash and cash equivalents before impairment allowance	**454,037,836**	**376,224,818**
Less: impairment allowance	(2,525,737)	-
Total cash and cash equivalents	**451,512,099**	**376,224,818**

6 Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	Current accounts	Receivables under reverse repurchase agreements	NBRK notes	Correspondent accounts and overnight placements with other banks	Total
Neither past due nor impaired						
- NBRK	87,290,909	-	-	40,069,124	-	127,360,033
- AA- to AA+ rated	-	-	-	-	13,651,308	13,651,308
- A- to A+ rated	-	19,212	-	-	45,838,915	45,858,127
- BBB- to BBB+ rated	-	-	-	-	2,699	2,699
- BB- to BB+ rated	-	40,239,599	-	-	61,533,865	101,773,464
- B- to B+ rated	-	111,887,651	-	-	968,356	112,856,007
- CCC- to CCC+ rated	-	409,284	-	-	-	409,284
- D rated	-	2,525,737	-	-	-	2,525,737
- unrated	-	7,233,199	39,546,142	-	5,385	46,784,726
Total cash and cash equivalents, excluding cash on hand before impairment allowance	**87,290,909**	**162,314,682**	**39,546,142**	**40,069,124**	**122,000,528**	**451,221,385**
Less: impairment allowance	-	(2,525,737)	-	-	-	(2,525,737)
Total cash and cash equivalents, excluding cash on hand	**87,290,909**	**159,788,945**	**39,546,142**	**40,069,124**	**122,000,528**	**448,695,648**

6 Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2015:

(In thousands of Kazakhstani Tenge)	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts**	**Receivables under reverse repurchase agreements**	**Deposits with other banks**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired						
- NBRK	166,108,762	-	-	-	-	166,108,762
- AA- to AA+ rated	-	-	-	-	39,199,082	39,199,082
- A- to A+ rated	-	508,125	-	-	2,519,656	3,027,781
- BBB- to BBB+ rated	-	1,511	-	-	3,473,934	3,475,445
- BB- to BB+ rated	-	23,619,679	-	1,201,850	336,962	25,158,491
- B- to B+ rated	-	93,827,758	-	-	7,203,950	101,031,708
- CCC- to CCC+ rated	-	5,270,054	-	-	-	5,270,054
- unrated	-	320,682	30,385,675	802,878	61,202	31,570,437
Total cash and cash equivalents excluding cash on hand	**166,108,762**	**123,547,809**	**30,385,675**	**2,004,728**	**52,794,786**	**374,841,760**

27 December 2016 the NBRK revoked the license of Kazinvestbank JSC (KIB 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 2016 the Holding considers its current account with KIB JSC in the amount of Tenge 2,525,737 thousand as fully impaired based on its understanding of the KIB JSC's current financial position and does not expect probable future cash flows from the assets.

At 31 December 2016 the Holding had one counterparty bank (31 December 2015: one counterparty bank) whose total cash and cash equivalent balances exceed 10% of equity. The total aggregate amount of these balances at 31 December 2016 was Tenge 127,360,033 thousand (31 December 2015: Tenge 166,108,762 thousand) or 28.21% of cash and cash equivalents (31 December 2015: 44.15%).

Interest rate analysis of cash and cash equivalents is disclosed in Note 35. Information on related party balances is disclosed in Note 41.

7 Financial instruments at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Derivative financial instruments	92,218,731	98,301,535
Trading securities		
- Corporate bonds	2,472,332	2,211,281
Other financial instruments at fair value through profit or loss		
Debt instruments		
- Corporate bonds	3,717,475	3,167,823
- Securities of the Ministry of Finance of the Republic of Kazakhstan	2,352,106	3,154,319
Equity instruments		
- Investments in funds	64,334,927	60,358,607
Total financial instruments at fair value through profit or loss	**165,095,571**	**167,193,565**

Derivative financial instruments. Derivative financial instruments comprise foreign currency swaps and cross-currency interest rate swaps with maturity in 2017-2020 (31 December 2015: in 2017-2020) measured at fair value (Note 38).

Equity instruments. Equity instruments comprise unquoted shares of investment funds. More detailed information on measurement of the fair value of shares is disclosed in Note 39.

The credit quality of debt securities at fair value through profit or loss may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Corporate bonds	Securities of the Ministry of Finance of the Republic of Kazakhstan	Total
Not past due			
- BBB- to BBB+ rated	2,468,232	2,352,106	4,820,338
- BB- to BB+ rated	2,472,332	-	2,472,332
- B- to B+ rated	1,249,243	-	1,249,243
Total debt financial instruments at fair value through profit or loss	**6,189,807**	**2,352,106**	**8,541,913**

The credit quality of debt securities at fair value through profit or loss may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2015:

(In thousands of Kazakhstani Tenge)	Corporate bonds	Securities of the Ministry of Finance of the Republic of Kazakhstan	Total
Not past due			
- BBB- to BBB+ rated	4,261,121	3,154,319	7,415,440
- B- to B+ rated	1,117,983	-	1,117,983
Total debt financial instruments at fair value through profit or loss	**5,379,104**	**3,154,319**	**8,533,423**

Analysis of interest rates of financial instruments measured at fair value through profit or loss is disclosed in Note 35. Information on financial assets measured at fair value through profit or loss issued by related parties is disclosed in Note 41.

8 Due from banks

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Loans to banks and financial institutions	436,521,481	332,166,292
Deposits	340,864,439	214,118,667
Due from Banks	**777,385,920**	**546,284,959**
Less: impairment allowance	(34,338,319)	(1,293,013)
Total due from banks	**743,047,601**	**544,991,946**

During the year ended 31 December 2016, the Holding issued loans of Tenge 148,400,000 thousand (2015: 212,500,000 thousand) to banks for further financing of private entrepreneurs in manufacturing and other industries. The loans have been provided mostly for one year and mature in 2017.

Initially the loans issued to banks and other financial institutions were recognised at fair value measured by applying relevant market interest rates to discount their contractual future cash flows. The loss on discount at initial recognition of loans to banks in 2016 was Tenge 7,773,749 thousand, which was recognised in “Net gain on initial recognition of financial instruments at below-market interest rates” within “Other operating income/(expense)” in the consolidated statement of profit or loss. As the loans were financed through issuance of Tenge-denominated bonds bearing a below market interest rate of 0.10% per annum in 2015 and maturing in 2035, which were fully purchased by the NBRK using the funds of the National Fund of the Republic of Kazakhstan (Note 23), this recognised loss was compensated by income received in the form of a government grant of Tenge 7,858,351 thousand (Note 25). The loss on discount at initial recognition of loans to banks in 2015 was Tenge 80,763,286 thousand, which was recognised in “Net gain on initial recognition of financial instruments at below-market interest rates” within “Other operating income/(expense)” in the consolidated statement of profit or loss. As the loans were financed through issuance of Tenge-denominated bonds bearing a below market interest rate of 0.10% per annum and maturing in 2035, which were fully purchased by the NBRK using the funds of the National Fund of the Republic of Kazakhstan (Note 23), this recognised loss was compensated by income received in the form of a government grant of Tenge 86,170,517 thousand (Note 25).

During 2016 loans have been provided on the following terms:

– loans with the total nominal value of Tenge 137,400,000 thousand (carrying amount of Tenge 137,400,000 thousand) have been granted for replenishment of working capital of the business entities at the expense of the funds of the National Fund of the Republic of Kazakhstan and Uniform Accumulative Pension Fund JSC (UAPF) at the rate of 8.75% per annum, while the interest rate on loans for final borrowers is limited to 12.75% per annum.

– loans with the total nominal value of Tenge 11,000,000 thousand (carrying amount of Tenge 2,301,712 thousand) have been provided as loans to commercial banks for further financing of individuals to purchase cars of domestic manufacturers. Interest rate on loans provided to commercial banks is 1.00% per annum, while the interest rate on loans for final borrowers is limited to 4.00% per annum.

During 2015 loans have been provided on the following terms:

– loans with a total nominal value of Tenge 60,000,000 thousand (carrying value of Tenge 17,772,613 thousand as at 31 December 2015), at the rate of 2.00% per annum for further financing of small and medium entities (“SME”) operating in the processing industry. The interest rate on loans for final borrowers is limited to 6.00% per annum.

– loans with a total nominal value of Tenge 50,000,000 thousand (carrying value of Tenge 20,574,512 thousand as at 31 December 2015), at the rate of 2.00% per annum for further financing of large businesses operating in the processing industry. The interest rate on loans for final borrowers is limited to 6.00% per annum.

– loans with a total nominal value of Tenge 15,000,000 thousand (carrying value of Tenge 4,572,801 thousand as at 31 December 2015), at the rate of 1.00% per annum for further financing of individuals to purchase cars of domestic manufacturers. The interest rate on loans for final borrowers is limited to 4.00% per annum.

8 Due from banks (continued)

The credit quality of due from banks may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2016:

(In thousands of Kazakhstani Tenge)	**Loans to banks and financial institutions**	**Deposits**	**Total**
Neither past due nor impaired			
- BB- to BB+ rated	66,072,656	26,905,049	92,977,705
- B- to B+ rated	325,875,078	277,446,254	603,321,332
- CCC- to CCC+ rated	2,367,690	35,641	2,403,331
- unrated	4,708,120	-	4,708,120
Total neither past due nor impaired	**399,023,544**	**304,386,944**	**703,410,488**
Individually determined to be impaired (gross)			
- less than 30 days overdue	36,191,412	36,477,495	72,668,907
- 181 to 360 days overdue	557,775	-	557,775
- over 360 days overdue	748,750	-	748,750
Total individually determined to be impaired (gross)	**37,497,937**	**36,477,495**	**73,975,432**
Less: impairment allowance	(18,298,813)	(16,039,506)	(34,338,319)
Total due from banks	**418,222,668**	**324,824,933**	**743,047,601**

The credit quality of due from banks may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2015:

(In thousands of Kazakhstani Tenge)	**Loans to banks and financial institutions**	**Deposits**	**Total**
Neither past due nor impaired			
- BB- to BB+ rated	58,058,379	31,108,924	89,167,303
- B- to B+ rated	222,374,585	177,887,902	400,262,487
- CCC- to CCC+ rated	44,767,485	5,121,841	49,889,326
- unrated	5,329,104	-	5,329,104
Total neither past due nor impaired	**330,529,553**	**214,118,667**	**544,648,220**
Individually determined to be impaired (gross)			
- less than 30 days overdue	1,463,837	-	1,463,837
- over 360 days overdue	172,902	-	172,902
Total individually determined to be impaired (gross)	**1,636,739**	**-**	**1,636,739**
Less: impairment allowance	(1,293,013)	-	(1,293,013)
Total due from banks	**330,873,279**	**214,118,667**	**544,991,946**

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 2016 the Holding considers loans issued to KIB JSC for the total amount of Tenge 21,069,383 thousand as fully impaired based on its understanding of the KIB JSC's current financial position and does not expect probable future cash flows.

8 Due from banks (continued)

On 30 December 2016 the Standard & Poor's downgraded the long-term/short-term credit rating of Delta Bank from "B/B" to "CCC+/C" and then to D/D on 16 February 2017 following its default on the principal bond payment amount of Tenge 9,800,000 thousand. On 23 February 2017, Delta repaid the overdue bonds and on 27 February 2017 announced that it has received Tenge 45,600,000 thousand in loans after which the Bank has redeemed an additional Tenge 18,400,000 thousand on the second bond program which had a maturity date of 2023. As at 31 December 2016 the Holding considers the long-term deposits and loans of Tenge 60,300,110 issued to Delta Bank JSC as partially impaired on the basis of its understanding of the current financial position of Delta Bank JSC and expects possible future cash flows from the assets.

The primary factor that the Holding considers in determining whether a loan or a deposit is impaired is its overdue status. As a result, the Holding presents above an ageing analysis of loans and deposits that are individually determined to be impaired.

Movements in the impairment allowance of deposits and loans to banks and financial institutions are as follows:

(In thousands of Kazakhstani Tenge)	**2016**	**2015**
Balance as at 1 January	**1,293,013**	**1,523,123**
Impairment allowance charge/(recovery of impairment allowance) during the year (Note 32)	33,045,306	(230,110)
Balance as at 31 December	**34,338,319**	**1,293,013**

At 31 December 2016 the Holding held placements with one bank (31 December 2015: one bank) whose total balances exceed 10% of equity. The total aggregate amount of these balances at 31 December 2016 was Tenge 154,706,699 thousand (31 December 2015: Tenge 182,711,357 thousand) or 20.82% of the total amount due from banks (31 December 2015: 33.53%).

Amounts due from banks are not collateralised.

Refer to Note 39 for the estimated fair value of each class of amounts due from banks. An interest rate analysis of due from banks is disclosed in Note 35. Information on related party transactions is disclosed in Note 41.

9 Loans to customers

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
Corporate loans	1,531,608,616	1,541,894,462
Mortgage loans issued directly	337,428,244	288,433,135
Mortgage loans purchased from commercial banks	50,685,959	74,911,004
Loans issued to small and medium entities ("SME")	2,427,354	2,670,077
Loans to customers	**1,922,150,173**	**1,907,908,678**
Less: impairment allowance on loans	(146,761,788)	(174,737,812)
Total loans to customers	**1,775,388,385**	**1,733,170,866**

During the year ended 31 December 2016, the Holding has not purchased mortgage portfolios of commercial banks (2015: two commercial banks). The loans purchased in 2015 were recognised at fair value at the total amount of Tenge 4,689,717 thousand.

9 Loans to customers (continued)

Movements in the loan impairment allowance during 2016 are as follows:

(In thousands of Kazakhstani Tenge)	**Corporate loans**	**Mortgage loans issued directly**	**Mortgage loans purchased from commercial banks**	**Loans issued to SME**	**Total**
Balance as at 1 January 2016	**167,096,276**	**1,708,014**	**3,346,228**	**2,587,294**	**174,737,812**
Net accrual of impairment allowance during the year	14,460,299	(432,725)	38,273	(172,252)	13,893,595
Loans written off during the year as uncollectible	-	-	-	(46,790)	(46,790)
Recovery of amounts previously written off	-	25,388	-	-	25,388
Transfers to non-current assets held for sale	(40,610,531)	-	-	-	(40,610,531)
Exchange differences on translation	(806,456)	-	-	-	(806,456)
Other changes	(429,131)	-	(2,099)	-	(431,230)
Balance as at 31 December 2016	**139,710,457**	**1,300,677**	**3,382,402**	**2,368,252**	**146,761,788**

Transfers to non-current assets held for sale. During 2016 the Holding transferred to non-current assets held for sale the property provided as collateral for a loan issued to «Textiles.kz» JSC.

Movements in the loan impairment allowance during 2015 are as follows:

(In thousands of Kazakhstani Tenge)	**Corporate loans**	**Mortgage loans issued directly**	**Mortgage loans purchased from commercial banks**	**Loans issued to SME**	**Total**
Balance as at 1 January 2015	**145,759,561**	**1,152,778**	**3,467,817**	**2,828,934**	**153,209,090**
Net accrual of impairment allowance during the year	24,766,992	582,684	(121,589)	(241,640)	24,986,447
Loans written off during the year as uncollectable	(20,056,718)	(29,592)	-	-	(20,086,310)
Transfers to non-current assets held for sale	(12,847,837)	-	-	-	(12,847,837)
Exchange differences on translation	30,218,940	-	-	-	30,218,940
Other changes	(744,662)	2,144	-	-	(742,518)
Balance as at 31 December 2015	**167,096,276**	**1,708,014**	**3,346,228**	**2,587,294**	**174,737,812**

9 Loans to customers (continued)

Economic sector risk concentrations within the loan portfolio are as follows:

(In thousands of Kazakhstani Tenge)	31 December 2016 Amount	%	31 December 2015 Amount	%
Mining, metallurgical industry and mineral resources	548,772,452	28.55	449,605,139	23.57
Oil and gas industry	539,889,051	28.09	616,030,702	32.29
Mortgage	388,568,249	20.22	363,344,139	19.04
Telecommunications	86,297,205	4.49	88,914,333	4.66
Power energy and electricity distribution	84,748,132	4.41	84,382,960	4.42
Agriculture	68,665,512	3.57	87,577,713	4.59
Chemical industry	66,805,553	3.48	48,858,664	2.56
Construction	24,984,319	1.30	26,071,677	1.37
Engineering	23,541,913	1.22	17,070,112	0.89
Transportation and warehousing	20,353,502	1.06	23,312,086	1.22
Food processing	18,497,367	0.96	8,623,898	0.45
Pulp and paper industry	10,714,118	0.56	12,216,794	0.64
Accommodation and meals	6,679,274	0.35	-	-
Textile manufacturing	5,989,059	0.31	48,081,657	2.52
Other	27,644,467	1.43	33,818,804	1.78
Gross loans to customers	**1,922,150,173**	**100.00**	**1,907,908,678**	**100.00**

9 Loans to customers (continued)

Analysis by credit quality of loans at 31 December 2016 is as follows:

(In thousands of Kazakhstani Tenge)	**Corporate loans**	**Mortgage loans issued directly**	**Mortgage loans purchased from commercial banks**	**Loans issued to SME**	**Total**
Neither past due nor impaired					
- Earlier not restructured	1,098,025,602	321,927,568	33,476,508	29,433	1,453,459,111
- Restructured	238,725,146	535,420	425,777	-	239,686,343
Total neither past due nor impaired	**1,336,750,748**	**322,462,988**	**33,902,285**	**29,433**	**1,693,145,454**
Past due but not impaired					
- less 30 days overdue	-	4,156,902	231,765	-	4,388,667
- 30 to 90 days overdue	-	805,434	57,775	-	863,209
- 91 to 180 days overdue	-	1,757	7,461	-	9,218
Total past due but not impaired	**-**	**4,964,093**	**297,001**	**-**	**5,261,094**
Impaired (gross)					
- not overdue	53,139,031	7,314,608	13,500,927	-	73,954,566
- less 30 days overdue	20,284,339	403,772	1,173,393	-	21,861,504
- 30 to 90 days overdue	-	296,956	218,275	-	515,231
- 91 to 180 days overdue	-	593,662	63,076	-	656,738
- 181 to 360 days overdue	-	266,774	119,662	-	386,436
- over 360 days overdue	121,434,498	1,125,391	1,411,340	2,397,921	126,369,150
Total impaired loans (gross)	**194,857,868**	**10,001,163**	**16,486,673**	**2,397,921**	**223,743,625**
Less: impairment allowance	(139,710,457)	(1,300,677)	(3,382,402)	(2,368,252)	(146,761,788)
Total loans to customers	**1,391,898,159**	**336,127,567**	**47,303,557**	**59,102**	**1,775,388,385**

9 Loans to customers (continued)

Analysis by credit quality of loans at 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	Corporate loans	Mortgage loans issued directly	Mortgage loans purchased from commercial banks	Loans issued to SME	Total
Neither past due nor impaired					
- Earlier not restructured	1,255,548,815	280,163,747	63,890,546	48,388	1,599,651,496
- Restructured	43,590,089	1,470,888	670,412	-	45,731,389
Total neither past due nor impaired	**1,299,138,904**	**281,634,635**	**64,560,958**	**48,388**	**1,645,382,885**
Past due but not impaired					
- less 30 days overdue	14,522,737	2,859,442	2,216,331	-	19,598,510
- 30 to 90 days overdue	-	730,721	1,450,617	-	2,181,338
- 91 to 180 days overdue	-	-	1,187,607	-	1,187,607
- 181 to 360 days overdue	-	-	743,532	-	743,532
- over 360 days overdue	-	-	529,337	-	529,337
Total past due but not impaired	**14,522,737**	**3,590,163**	**6,127,424**	**-**	**24,240,324**
Impaired (gross)					
- not overdue	37,419,800	-	-	-	37,419,800
- less 30 days overdue	21,044,883	97,072	261,211	-	21,403,166
- 30 to 90 days overdue	-	236,937	286,030	-	522,967
- 91 to 180 days overdue	-	688,750	242,820	-	931,570
- 181 to 360 days overdue	-	482,698	184,943	-	667,641
- over 360 days overdue	169,768,138	1,702,880	3,247,618	2,621,689	177,340,325
Total impaired loans (gross)	**228,232,821**	**3,208,337**	**4,222,622**	**2,621,689**	**238,285,469**
Less: impairment allowance	(167,096,276)	(1,708,014)	(3,346,228)	(2,587,294)	(174,737,812)
Total loans to customers	**1,374,798,186**	**286,725,121**	**71,564,776**	**82,783**	**1,733,170,866**

9 Loans to customers (continued)

Credit quality of loan portfolio. The Holding applied the portfolio provisioning methodology prescribed by IAS 39, Financial Instruments: Recognition and Measurement, and created portfolio provisions for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Holding's policy is to classify each loan as "neither past due nor impaired" until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Holding considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Holding presents above an ageing analysis of loans that are individually determined to be impaired.

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

Provision for impairment of corporate loans. The Holding estimates loan impairment for loans to large corporates 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 adjusted to reflect the effects of current conditions of 1.42% (31 December 2015: 0.90%);
- 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. If the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment allowance on corporate loans as of 31 December 2016 would be Tenge 13,918,982 thousand lower/higher (31 December 2015: Tenge 13,747,982 thousand).

Mortgage loan impairment allowance. The Holding measures the amount of mortgage loan impairment allowance using the estimate of loan impairment on the portfolio basis, applying a risk migration model. The management believes that such approach is the most appropriate as the loss identification has a short period. The significant assumptions used in determining the impairment losses for mortgage loans include:

- mortgage loans with recourse overdue more than 60 days can be sold back by the Holding at any time at their gross amount. Management believes that recourse counterparties are institutions of good reputation, with good credit standing;
- other mortgage loans are subject to collective impairment assessment based on their past loss experience;
- loss migration rates are constant and can be estimated based on the historical loss migration pattern for the past 24 months;
- a delay of two years in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 68% to 96% to the originally appraised value if the property pledged is sold through court procedures (2015: 65% to 80%).

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of estimated cash flows differs by plus/minus three percent, the impairment allowance on mortgage loans as at 31 December 2016 would be Tenge 11,502,934 thousand lower/higher (31 December 2015: Tenge 10,748,697 thousand lower/higher).

9 Loans to customers (continued)

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 Holding generally requests corporate borrowers to provide it.

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral as of 31 December 2016.

(In thousands of Kazakhstani Tenge)	**Corporate loans, carrying amount**	**Fair value of collateral: for collateral assessed as at reporting date**	**Fair value of collateral: for collateral assessed before reporting date**
Neither past due nor impaired corporate loans			
Cash and deposits	2,455,546	2,455,546	-
Government guarantees	10,833,994	10,833,994	-
Banking guarantees and sureties received from legal entities	627,649,165	627,649,165	-
Motor vehicles	989,232	883,244	105,988
Real estate	129,290,051	6,152,864	123,137,187
Equipment	160,591,984	7,886,736	152,705,248
Shares, equity	7,333,013	1,345,915	5,987,098
Goods in turnover	11,051	-	11,051
Future assets	244,960,642	-	244,960,642
Securities	144,425,515	144,425,515	-
No collateral or other credit enhancement	10,706,923	-	-
Total neither past due nor impaired corporate loans	**1,339,247,116**	**801,632,979**	**526,907,214**
Impaired corporate loans			
Banking guarantees and sureties received from legal entities	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 impaired corporate loans	**52,651,043**	**21,284,264**	**31,366,779**
Total corporate loans	**1,391,898,159**	**822,917,243**	**558,273,993**

9 Loans to customers (continued)

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral as of 31 December 2015.

(In thousands of Kazakhstani Tenge)	Corporate loans, carrying amount	Fair value of collateral: for collateral assessed as at reporting date	Fair value of collateral: for collateral assessed before reporting date
Neither past due nor impaired corporate loans			
Cash and deposits	577,809	577,809	-
Government guarantees	12,380,512	12,380,512	-
Banking guarantees and sureties received from legal entities	558,242,299	558,242,299	-
Motor vehicles	1,608,792	1,541,970	66,822
Real estate	171,742,568	30,608,310	141,134,258
Equipment	213,688,957	49,362,110	164,326,847
Shares, equity	12,106,755	12,106,755	-
Goods in turnover	9,576,415	2,127,474	7,448,941
Future assets	155,096,880	32,197,325	122,899,555
Securities	188,561,544	188,561,544	-
No collateral or other credit enhancement	5,439,802	-	-
Total neither past due nor impaired corporate loans	**1,329,022,333**	**887,706,108**	**435,876,423**
Impaired corporate loans			
Banking guarantees and sureties received from legal entities	2,919,107	2,919,107	-
Motor vehicles	3,279,902	3,221,549	58,353
Real estate	36,277,253	10,346,346	25,930,907
Equipment	3,299,591	-	3,299,591
Total impaired corporate loans	**45,775,853**	**16,487,002**	**29,288,851**
Total corporate loans	**1,374,798,186**	**904,193,110**	**465,165,274**

The tables above exclude overcollateralisation.

Future assets. As at 31 December 2016 and 31 December 2015 the assets to be received in the future comprise of construction and installation works, future equipment in the received future in the amount of Tenge 180,159,499 thousand (31 December 2015: Tenge 96,877,194 thousand), and future cash flows in the amount of Tenge 64,801,143 thousand (31 December 2015: Tenge 58,219,686 thousand).

The Holding has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes. For certain loans the fair value of collateral is updated as at the reporting date. Information on 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, 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.

For mortgage loans with recourse to the seller the commercial banks-partners are responsible for monitoring of collateral on a periodic basis according to the requirements of the NBRK. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers and commercial banks-partners rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

The fair value of residential real estate collateral on mortgage loans at the end of the reporting period was estimated by indexing the values determined by the Holding subsidiaries' internal credit department staff at the time of loan inception for the average changes in residential real estate prices by city and region. The Holding may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment. The fair value of other real estate and other assets was determined by the Holding subsidiaries' credit department by considering the condition and location of the assets accepted as collateral.

The fair value of mortgage loans exceeded the carrying amount less impairment allowance by mortgage loans as at 31 December 2016 and 2015.

9 Loans to customers (continued)

Repossessed collateral. The Holding obtained certain assets by taking possession of collateral for loans to corporate customers and mortgage loans. As at 31 December 2016 the carrying amount of such assets was Tenge 9,122,412 thousand (31 December 2015: Tenge 7,538,650 thousand), the repossessed collateral comprises non-current assets held for sale of Tenge 7,261,680 thousand (31 December 2015: Tenge 5,922,112 thousand), investment property of Tenge 991,700 thousand (31 December 2015: Tenge 1,275,879 thousand) and other assets of Tenge 869,032 thousand (31 December 2015: Tenge 340,659 thousand).

The Holding's policy is to sell these assets as soon as practicable, except for investment property.

Significant credit exposures. As at 31 December 2016 the Holding had 5 borrowers (31 December 2015: 4 borrowers) with the total amount issued to each borrower in excess of 10% of capital of the Holding. The gross value of these loans was Tenge 754,230,094 thousand (31 December 2015: Tenge 777,505,493 thousand) or 39% of loan portfolio less impairment allowance (31 December 2015: 41%). The outstanding debt of entities guaranteed by the state, subsidiaries of government entities or large commercial corporations listed on international stock markets or with a high credit ratings comprised Tenge 297,526,218 thousand as at 31 December 2016 (31 December 2015: Tenge 448,025,603 thousand).

Refer to Note 39 for the estimated fair value of each class of loans to customers. Interest rate analysis of loans to customers is disclosed in Note 35. Information on related party transactions is disclosed in Note 41.

10 Investment securities available for sale

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	257,148,005	127,533,578
Bonds of NWF “Samruk-Kazyna” JSC	120,953,717	113,519,464
NBRK notes	63,649,754	-
Bonds of local executive bodies	32,302,888	-
Bonds of Kazakhstani banks	25,409,376	43,485,553
Corporate bonds	23,758,652	23,734,304
Bonds of banks from OECD countries	14,244,618	13,898,440
Bonds of other states	220,427	53,954,954
Debt securities before impairment allowance	**537,687,437**	**376,126,293**
Corporate shares	486,913	480,248
Total investment securities available for sale before impairment allowance	**538,174,350**	**376,606,541**
Less: impairment allowance	(5,931,233)	(7,268,217)
Total investment securities available for sale	**532,243,117**	**369,338,324**

10 Investment securities available for sale (continued)

The credit quality of debt financial instruments available for sale may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Bonds of the Ministry of Finance of the RK and SWF "Samruk-Kazyna" JSC and NBRK Notes	Debt securities of other states	Bonds of Kazakhstani banks	Corporate bonds	Bonds of banks from OECD countries	Bonds of local executive bodies	Total
Neither past due nor impaired							
Notes of NBRK	63,649,754	-	-	-	-	-	63,649,754
- AA- to AA+ rated	-	220,427	-	-	-	-	220,427
- BBB- to BBB+ rated	361,315,343	-	-	-	14,244,618	-	375,559,961
- BB- to BB+ rated	16,786,379	-	6,429,939	7,010,864	-	-	30,227,182
- B- to B+ rated	-	-	16,582,104	7,621,883	-	-	24,203,987
- CCC- to CCC+ rated			614,304				614,304
- unrated	-	-	-	5,462,439	-	32,302,888	37,765,327
Total neither past due nor impaired	**441,751,476**	**220,427**	**23,626,347**	**20,095,186**	**14,244,618**	**32,302,888**	**532,240,942**
Debt securities individually determined to be impaired (gross)							
- over 360 days overdue	-	-	1,783,029	3,663,466	-	-	5,446,495
Total individually impaired debt securities	**-**	**-**	**1,783,029**	**3,663,466**	**-**	**-**	**5,446,495**
Less: impairment allowance	-	-	(1,783,029)	(3,663,466)	-	-	(5,446,495)
Total debt securities available for sale	**441,751,476**	**220,427**	**23,626,347**	**20,095,186**	**14,244,618**	**32,302,888**	**532,240,942**

10 Investment securities available for sale (continued)

The credit quality of debt financial instruments available for sale may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2015:

(In thousands of Kazakhstani Tenge)	**Bonds of the Ministry of Finance of the RK and SWF "Samruk-Kazyna" JSC**	**Debt securities of other states**	**Bonds of Kazakhstani banks**	**Corporate bonds**	**Bonds of banks from OECD countries**	**Total**
Neither past due nor impaired						
- AAA rated	-	229,974	-	-	-	229,974
- BBB- to BBB+ rated	241,053,042	-	-	1,969,669	13,898,440	256,921,151
- BB- to BB+ rated	-	53,724,980	13,646,422	8,542,284	-	75,913,686
- B- to B+ rated	-	-	14,774,060	-	-	14,774,060
- CCC- to CCC+ rated	-	-	11,696,011	561,034	-	12,257,045
- unrated	-	-	1,358,231	7,881,916	-	9,240,147
Total neither past due nor impaired	**241,053,042**	**53,954,954**	**41,474,724**	**18,954,903**	**13,898,440**	**369,336,063**
Debt securities individually determined to be impaired (gross)						
- over 360 days overdue	-	-	2,010,829	4,779,401	-	6,790,230
Total individually impaired debt securities	**-**	**-**	**2,010,829**	**4,779,401**	**-**	**6,790,230**
Less: impairment allowance	-	-	(2,010,829)	(4,779,401)	-	(6,790,230)
Total debt securities available for sale	**241,053,042**	**53,954,954**	**41,474,724**	**18,954,903**	**13,898,440**	**369,336,063**

The primary factor that the Holding considers in determining whether a debt security is impaired is its overdue status. As a result, the Holding presents above an ageing analysis of debt securities that are individually determined to be impaired.

10 Investment securities available for sale (continued)

Corporate bonds. Corporate bonds represent interest-bearing securities issued by local companies. These securities are in free circulation on Kazakhstan Stock Exchange, except for some bonds, which are included in the "buffer category" in accordance with KASE requirements due to non-compliance with listing requirements.

Bonds of local executive bodies. During 2016 the Holding purchased 38,213,475 bonds issued by the local executive bodies at the value of Tenge 1,000 per one bond, which mature in 2018. The bonds bear a coupon rate of 0.15% per annum. Bonds were recognised at fair value of Tenge 30,990,176 thousand measured using a market rate of 10.94%-12.68% per annum. Loss from discount on difference between the nominal value and fair value in the amount of Tenge 7,223,299 thousand was compensated through decrease in the liability for government grant received to purchase these bonds (Note 25).

Movements in the impairment allowance on investment securities available for sale are as follows:

(In thousands of Kazakhstani Tenge)	**2016**	**2015**
Balance as at 1 January	**7,268,217**	**5,877,395**
Net charge for impairment allowance (Note 32)	113,331	376,564
Transfer from investment securities held to maturity	-	2,718,602
Amounts written off during the year as uncollectible	-	(1,704,473)
Effect of changes in foreign exchange rates	-	129
Transfer to other assets	(1,085,623)	-
Other changes	(364,692)	-
Balance as at 31 December	**5,931,233**	**7,268,217**

Interest rate analysis of investment securities available for sale is disclosed in Note 35. Information on debt investment securities available for sale to related parties is disclosed in Note 41.

During the year ended 31 December 2015, the Holding reclassified debt financial instruments from held-to-maturity investments to available-for-sale financial assets in the amount of Tenge 11,374,795 thousand due to the sale of debt financial instruments from the held-to-maturity investments portfolio prior maturity. The Holding cannot classify any debt financial instruments as held-to-maturity during two subsequent financial years.

11 Finance lease receivables

Finance lease payments receivable (gross investment in the leases) and their present values as at 31 December 2016 are as follows:

(In thousands of Kazakhstani Tenge)	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Finance lease receivables	**25,073,293**	**77,156,828**	**133,155,439**	**235,385,560**
Unearned finance income	(7,917,277)	(30,635,357)	(33,783,709)	(72,336,343)
Impairment allowance	(3,728,325)	(2,599,370)	(1,118,485)	(7,446,180)
Present value of lease receivables	**13,427,691**	**43,922,101**	**98,253,245**	**155,603,037**

Finance lease payments receivable (gross investment in the leases) and their present values as at 31 December 2015 are as follows:

(In thousands of Kazakhstani Tenge)	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Finance lease receivables	**15,823,361**	**39,814,949**	**42,152,329**	**97,790,639**
Unearned finance income	(3,168,966)	(13,133,034)	(10,348,272)	(26,650,272)
Impairment allowance	(4,729,560)	(3,377,273)	(524,609)	(8,631,442)
Present value of lease receivables	**7,924,835**	**23,304,642**	**31,279,448**	**62,508,925**

11 Finance lease receivables (continued)

Embedded financial derivative instruments

The repayment of investment in finance leases of Tenge 11,140,470 thousand (2015: Tenge 7,871,934 thousand) is in part linked to any appreciation in the rate of the US Dollars or Euro against the Tenge. If these foreign currencies appreciate, the amount receivable is increased by the respective index. If these foreign currencies depreciate, the amount receivable is not adjusted below the original outstanding amount in Tenge. Basis for measurement of the embedded derivative includes all future payments under the finance lease agreements and contingent liabilities tied up to the US dollar appreciation, and as at 31 December 2016 and is Tenge 15,430,155 thousand (31 December 2015: Tenge 17,742,675 thousand).

These embedded derivative financial instruments are recorded at fair value in the consolidated financial statements. The estimated amount of the embedded derivative, which is included in finance lease receivables as at 31 December 2015 is Tenge 2,804,925 thousand (31 December 2015: Tenge 3,826,180 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 39).

The following assumptions are used by management to estimate the fair values of the embedded financial derivative instruments:

- risk-free rates are estimated using the yield curves for respective currencies and range from 0.95% to 3.17% for US Dollars and from 5.88% to 12.98% for Tenge (31 December 2015: from 0.75% to 1.71% for US Dollars and from 5.39% to 6.23% for Tenge);
- volatility in the model is defined based on the historical six-month observations of fluctuations in the actual foreign exchange rates;
- the model does not include transaction costs.

If the spreads between Tenge and US Dollar (or Euro as appropriate) risk-free rates narrowed by 0.50% across all the contracts the fair value of the derivatives would have decreased by Tenge 243,519 thousand (31 December 2015: Tenge 236,655 thousand). Increase of volatility by 50% would result in increase of the fair value of derivative by Tenge 56,636 thousand (31 December 2015: Tenge 836,683 thousand).

Analysis by credit quality of finance lease receivables at 31 December 2016 and 2015 is as follows:

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Neither past due nor impaired	**136,020,048**	**47,519,922**
Past due but not impaired		
- less than 30 days overdue	227,209	-
- 30 to 90 days overdue	7,181,522	677,968
- 181 to 360 days overdue	-	57,661
- over 360 days overdue	45,642	-
Total balances past due but not impaired	**7,454,373**	**735,629**
Receivables individually determined to be impaired (gross)		
- not overdue	11,294,590	10,630,453
- less than 30 days overdue	2,426,264	969,099
- 30 to 90 days overdue	565,334	291,461
- 91 to 180 days overdue	43,497	1,667,128
- 181 to 360 days overdue	1,401,315	18,592
- over 360 days overdue	3,843,796	9,308,083
Total balances individually impaired (gross)	**19,574,796**	**22,884,816**
Less: impairment allowance	(7,446,180)	(8,631,442)
Total finance lease receivables	**155,603,037**	**62,508,925**

11 Finance lease receivables (continued)

The Holding estimates the value of provision for impairment of finance leases based on an analysis of the future cash flows for impaired lease receivables under finance lease contracts and based on current economic conditions for portfolios of finance leases for which no indications of impairment has been identified. Movements in the impairment allowance for finance lease receivables are as follows:

(In thousands of Kazakhstani Tenge)	2016	2015
Balance as at 1 January	**8,631,442**	**7,174,280**
Net charge of impairment allowance (Note 32)	1,887,447	2,017,079
Amounts written off during the year as uncollectible	(1,429,124)	(177,458)
Transfer to other assets	(1,643,585)	(382,459)
Balance at 31 December	**7,446,180**	**8,631,442**

In determining the collective impairment allowance for finance lease receivables, management has assumed an annual loss rate of 5.29% for large businesses, 4.78% for small and medium businesses and 0.61% for individuals in 2016 (2015: 2.10% for large businesses, 8.78% for small and medium businesses), which is based on historic loss experience, assessed credit quality of finance lease receivables in the portfolio adjusted for current economic conditions. Management also assumes a loss identification period of one year.

Changes in these estimates could affect the lease 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 on finance leases as at 31 December 2016 would be Tenge 1,556,030 thousand lower/higher (31 December 2015: Tenge 625,089 thousand).

Analysis of collateral. The following tables provides information on finance lease portfolio, net of impairment allowance, by types of collateral:

31 December 2016 *(In thousands of Kazakhstani Tenge)*	Finance lease receivables, carrying amount	Fair value of collateral: for collateral assessed as at reporting date	Fair value of collateral not determined
Finance lease without individual signs of impairment			
Guarantees of other parties, including loan insurance	2,739,060	2,739,060	-
Real estate	111,972,333	111,972,333	-
Motor vehicles	22,997,280	22,997,280	-
Equipment	4,001,749	4,001,749	-
No collateral or other credit enhancement	12,357	-	12,357
Total lease without signs of impairment	**141,722,779**	**141,710,422**	**12,357**
Impaired lease			
Real estate	3,485,862	3,485,862	-
Motor vehicles	366,005	366,005	-
Equipment	10,028,391	10,028,391	-
Total impaired lease	**13,880,258**	**13,880,258**	**-**
Total finance lease receivables	**155,603,037**	**155,590,680**	**12,357**

11 Finance lease receivables (continued)

31 December 2015 *(In thousands of Kazakhstani Tenge)*	**Finance lease receivables, carrying amount**	**Fair value of collateral: for collateral assessed as at reporting date**	**Fair value of collateral not determined**
Finance lease without individual signs of impairment			
Guarantees of other parties, including loan insurance	1,293,353	1,293,353	-
Real estate	31,373,492	31,373,492	-
Motor vehicles	12,411,363	12,411,363	-
Equipment	1,593,617	1,593,617	-
Other assets	301,435	301,435	-
No collateral or other credit enhancement	377,747	-	377,747
Total lease without signs of impairment	**47,351,007**	**46,973,260**	**377,747**
Impaired lease			
Guarantees of other parties, including loan insurance	756,713	756,713	-
Real estate	2,517,124	2,517,124	
Motor vehicles	203,178	203,178	-
Equipment	10,356,477	10,356,477	-
Other assets	41,652	41,652	-
No collateral or other credit enhancement	1,282,774	-	1,282,774
Total impaired lease	**15,157,918**	**13,875,144**	**1,282,774**
Total finance lease receivables	**62,508,925**	**60,848,404**	**1,660,521**

12 Investment in associates and joint ventures

The table below summarises the movements in the carrying amount of the Holding's investment in associates and joint ventures.

(In thousands of Kazakhstani Tenge)	**2016**	**2015**
Carrying amount at 1 January	**2,078,760**	**3,724,560**
Share of financial result of associates and joint ventures	901,125	(976,780)
Fair value of net assets of acquired associates	572,547	-
Disposals	(1,414,413)	-
Transfers to financial assets at fair value through profit or loss	(211,443)	-
Transfers to investment securities available for sale	-	(559,823)
Share of other equity movements of associates and joint ventures	-	(109,084)
Other movements	-	(113)
Carrying amount at 31 December	**1,926,576**	**2,078,760**

12 Investment in associates and joint ventures (continued)

The Holding's interests in its principal associates and joint ventures were as follows:

	31 December 2016		31 December 2015	
Name	**% ownership interest held (% of voting rights if different)**	**Place of business (country of incorporation if different)**	**% ownership interest held (% of voting rights if different)**	**Place of business (country of incorporation if different)**
Pavlodar Woodworking Plant LLP	49.00%	Republic of Kazakhstan	49.00%	Republic of Kazakhstan
Stroitel LLP	49.00%	Republic of Kazakhstan	49.00%	Republic of Kazakhstan
AB Metals LLP	30.00%	Republic of Kazakhstan	30.00%	Republic of Kazakhstan

13 Investment property

(In thousands of Kazakhstani Tenge)	2016	2015
Cost of investment property at 1 January	**1,813,213**	**1,516,868**
Additions	38,792,406	226,230
Disposals	(178,380)	(65,190)
Transfer to other assets	(203,450)	(14,591)
Recovery of impairment allowance for the year	34,648	-
Decrease due to use of government grant	(15,750,945)	-
Other	4,920	149,896
Cost of investment property at 31 December	**24,512,412**	**1,813,213**

As at 31 December 2016 the fair value of investment property items is Tenge 40,167,925 thousand (31 December 2015: Tenge 1,813,213 thousand). Fair value of investment property categorises to Level 3 of the fair value hierarchy.

In 2014 the Holding signed an investment contract with BI Group Corporation LLP and Lux Nedvizhimost Group LLP for construction of residential facilities in the territory of the International Specialised Exhibition EXPO-2017. In December 2016 construction of the residential facilities was completed, after that the Holding recognised residential and non-residential premises as well as parking lots within the investment property, with subsequent transfer of these facilities under operating lease contract to NC Astana EXPO-2017 JSC; the carrying amount of the facilities as at 31 December 2016 was Tenge 23,102,444 thousand. The period of operation lease is January 2017 – December 2017.

14 Property, plant and equipment

Movements in the Holding's property, plant and equipment are as follows:

(In thousands of Kazakhstani Tenge)	**Buildings**	**Office and computer equipment**	**Construction in progress**	**Motor vehicles**	**Total**
Cost as at 1 January 2015	9,632,699	7,025,612	638,013	603,441	17,899,765
Accumulated depreciation	(1,153,775)	(3,356,268)	-	(326,437)	(4,836,480)
Carrying amount at 1 January 2015	**8,478,924**	**3,669,344**	**638,013**	**277,004**	**13,063,285**
Additions	578,826	447,887	2,574,212	115,422	3,716,347
Transfer to non-current assets held for sale (or disposal groups)	(1,274,331)	(364,059)	(123,536)	(14,519)	(1,776,445)
Disposals	-	(3,860)	-	(154,729)	(158,589)
Depreciation charges	(161,013)	(910,352)	-	(78,542)	(1,149,907)
Impairment losses	(34)	-	(1,813,802)	-	(1,813,836)
Other	404,236	963,727	(1,231,205)	5,246	142,004
Cost at 31 December 2015	9,341,396	7,845,231	43,682	446,866	17,677,175
Accumulated depreciation	(1,314,788)	(4,042,544)	-	(296,984)	(5,654,316)
Carrying amount as at 31 December 2015	**8,026,608**	**3,802,687**	**43,682**	**149,882**	**12,022,859**
Additions	450,000	492,462	560,328	1,700	1,504,490
Transfer to non-current assets held for sale (or disposal groups)	-	(62)	-	(15,471)	(15,533)
Disposals	(537,172)	(233,882)	-	-	(771,054)
Depreciation charges	(161,527)	(1,096,343)	-	(88,630)	(1,346,500)
Impairment recovery	68,766	-	-	-	68,766
Other	13,747	636,500	(604,010)	178,215	224,452
Cost as at 31 December 2016	9,027,910	7,872,509	-	642,962	17,543,380
Accumulated depreciation	(1,167,488)	(4,271,147)	-	(417,266)	(5,855,900)
Carrying amount as at 31 December 2016	**7,860,422**	**3,601,362**	**-**	**225,696**	**11,687,480**

15 Intangible assets

Movements in the Holding's intangible assets are as follows:

(In thousands of Kazakhstani Tenge)	Software licenses	Construction in progress	Internally developed software	Patent	Other intangible assets	Total
Cost as at 1 January 2015	1,348,978	169,944	480,125	439,029	661,211	3,099,287
Accumulated amortisation	(605,696)	-	(273,684)	(150,593)	(378,016)	(1,407,989)
Carrying amount as at 1 January 2015	**743,282**	**169,944**	**206,441**	**288,436**	**283,195**	**1,691,298**
Additions	1,055,296	489,805	8,935	-	407,108	1,961,144
Transfers to non-current assets held for sale	(123,155)	-	-	(414,061)	-	(537,216)
Disposals	(48,215)	-	-	-	(6,180)	(54,395)
Amortisation charges	(311,290)	-	(744)	(17,209)	(103,175)	(432,418)
Impairment losses	(390,826)	-	-	(304)	(141,882)	(533,012)
Other	97,258	-	-	153,229	(6,201)	244,286
Cost as at 31 December 2015	1,842,290	659,749	489,060	24,968	1,062,141	4,078,208
Accumulated amortisation	(819,940)	-	(274,428)	(14,877)	(629,276)	(1,738,521)
Carrying amount as at 31 December 2015	**1,022,350**	**659,749**	**214,632**	**10,091**	**432,865**	**2,339,687**
Additions	82,433	-	-	21,462	1,040,012	1,143,907
Disposals	(47)	-	-	-	-	(47)
Amortisation charges	(212,232)	-	(2,978)	(10,187)	(312,932)	(538,329)
Impairment losses	-	-	-	(4,482)	(13,433)	(17,915)
Transfers	(283,919)	(659,749)	(369,865)	-	1,313,533	-
Other	588,647	-	163,424	(10,509)	(747,122)	(5,560)
Cost as at 31 December 2016	2,133,164	-	8,935	25,001	2,912,185	5,079,285
Accumulated amortisation	(935,932)	-	(3,722)	(18,626)	(1,199,262)	(2,157,542)
Carrying amount as at 31 December 2016	**1,197,232**	**-**	**5,213**	**6,375**	**1,712,923**	**2,921,743**

16 Non-current assets held for sale

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Property of Textiles.kz JSC	7,300,087	-
Property of Bio Operations LLP	5,630,073	5,629,739
Property of East Kazakhstan Technopark "Altai" LLP	1,343,271	1,310,007
Property of Bogvi LLP	1,264,930	892,578
Property of Astana-Contract-Paragon LLP	1,033,660	1,288,454
Property of ILNO Group LLP	908,279	908,479
Property of IAG-Trade LLP	897,903	581,779
Property of Aktobe StroyIndustry LLP	713,079	713,079
Property of LAD LLP	648,121	637,726
Property of Saryarka Technopark LLP	576,918	550,392
Property of Transport Machinery Design Bureau LLP	570,879	799,490
Property of Mining Equipment Design Bureau LLP	538,004	583,227
Property of Asia Ceramic LLP	447,304	781,396
Property of Oil and Gas Equipment Design Bureau LLP	446,382	434,177
Property of Agricultural holding Zhanabas LLP	336,269	336,269
Property of Technopark Algorithm LLP	259,342	229,752
Other	811,780	668,328
Total non-current assets held for sale	**23,726,281**	**16,344,872**

In 2016 the Holding took possession of property pledged as collateral on loans to customers for the repayment of indebtedness of borrower Textiles.kz. The property mainly comprises equipment and buildings with adjacent land plots.

In 2015 the Holding took possession of property pledged as collateral on loans to customers for the repayment of indebtedness of borrowers Astana-Contract-Paragon LLP, ILNO Group LLP, Asia Ceramic LLP, Aktobe StroyIndustry LLP, LAD LLP and IAG-Trade LLP. The property mainly comprises equipment and buildings with adjacent land plots. In addition, the Holding management decided to sell the property of East Kazakhstan Technopark "Altai" LLP, Transport Machinery Design Bureau LLP, Mining Equipment Design Bureau LLP, Saryarka Technopark LLP, Oil and Gas Equipment Design Bureau LLP and other entities. Property prepared for sale comprises mainly regional technoparks and design bureaus and technical documentation.

On 2 December 2015, the Holding sold the property of Kremnii Kazakhstan LLP to the Government-owned company for the amount of Tenge 13,607,532 thousand to be paid by instalment within nine years. At initial recognition the receivables were recognised at fair value measured by discounting contractual payments applying estimated market interest rate. The difference between the fair value of receivables and carrying amount of the assets sold classified as non-current assets held for sale was recognised by the Holding as other operating income in the amount of Tenge 4,318,337 thousand. On 31 December 2015, the Holding received first payment in the amount of Tenge 5,307,732 thousand according to the repayment schedule per contract.

The Holding's management committed to sell the foreclosed property. Accordingly, this property is recognised as non-current asset held for sale. Efforts to sell the disposal group have commenced, and a sale is expected in 2017.

17 Other financial assets

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Instalment payments receivables	10,918,868	11,503,797
Receivables on purchase of loan portfolios	3,591,607	4,091,749
Restricted cash	3,094,450	-
Advances paid for purchase of government bonds	1,885,405	-
Fee and commission income accrued	927,752	8,296,995
Reinsurance assets	531,233	439,344
Receivables on trading transactions	398,595	397,300
Insurance receivables	339,080	106,986
Accrued fines and penalties	2,999	2,949
Other	985,518	917,475
Other financial assets before impairment allowance	**22,675,507**	**25,756,595**
Less: impairment allowance	(1,159,430)	(2,040,201)
Total other financial assets	**21,516,077**	**23,716,394**

Instalment payments receivables. As at 31 December 2016, instalment payments receivables comprise mostly receivables from facilities sold in instalments, which are recognised at fair value at initial recognition by discounting customer contractual debt using estimated market rates in the amount of Tenge 7,555,582 thousand.

Movements in the impairment allowance of other financial assets during 2016 and 2015 are as follows:

(In thousands of Kazakhstani Tenge)	2016	2015
Balance as at 1 January	**2,040,201**	**1,746,940**
Net (recovery)/charge of impairment allowance (Note 32)	(557,508)	1,330,135
Assets written off during the year as uncollectible	(109,036)	(965,309)
Effect of changes in foreign exchange rates	(14,597)	153,059
Other changes	(199,630)	(224,624)
Balance at 31 December	**1,159,430**	**2,040,201**

17 Other financial assets (continued)

Analysis by credit quality of other financial assets at 31 December 2016 is as follows:

(In thousands of Kazakhstani Tenge)	Receivables	Restricted cash	Accrued fee and commission income	Insurance and reinsurance assets	Other	Total
Neither past due nor impaired	13,970,775	3,094,450	597,077	844,550	2,554,036	21,060,888
Past due but not impaired						
- 30 to 90 days overdue	-	-	-	11,743	-	11,743
- 90 to 360 days overdue	-	-	-	14,020	-	14,020
Impaired loans:						
- not overdue	-	-	319,909	-	266	320,175
- 30 to 90 days overdue	-	-	10,512	-	908	11,420
- 90 to 360 days overdue	121,078	-	-	-	5,145	126,223
- over 360 days overdue	817,217	-	254	-	313,567	1,131,038
Total impaired	938,295	-	330,675	-	319,886	1,588,856
Less: impairment allowance	(769,028)	-	(63,666)	(6,850)	(319,886)	(1,159,430)
Total other financial assets	**14,140,042**	**3,094,450**	**864,086**	**863,463**	**2,554,036**	**21,516,077**

17 Other financial assets (continued)

Analysis by credit quality of other financial assets at 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	**Receivables**	**Accrued fee and commission income**	**Insurance and reinsurance assets**	**Other income**	**Total**
Neither past due nor impaired	12,479,923	7,960,232	519,241	605,970	21,565,366
Past due but not impaired (up to 30 days overdue)	-	-	-	409	409
Impaired loans:					
- not overdue	-	326,038	-	32,399	358,437
- 30 to 90 days overdue	3,115,623	10,471	16,300	47,438	3,189,832
- 90 to 360 days overdue	-	-	10,789	-	10,789
- over 360 days overdue	397,300	254	-	234,208	631,762
Total impaired	3,512,923	336,763	27,089	314,045	4,190,820
Less: impairment allowance	(1,388,337)	(332,283)	(4,595)	(314,986)	(2,040,201)
Total other financial assets	**14,604,509**	**7,964,712**	**541,735**	**605,438**	**23,716,394**

The primary factors that the Holding considers in determining whether other financial assets are impaired are their overdue status and ability to sell of related collateral, if any. As a result, the Holding presents above an aging analysis of receivables that are individually determined to be impaired. The rights to the leased assets revert to the Holding in the event of default by the lessee.

18 Other assets

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
Prepayments for construction in progress	47,769,078	32,453,641
Advances for equipment to be transferred under finance lease agreements	40,024,763	26,533,412
Prepayments to suppliers for goods and services	30,217,863	19,734,550
Assets to be transferred under finance lease agreements	27,666,947	29,680,853
Construction in progress	9,229,741	9,644,010
Raw materials and consumables	8,693,305	2,237,564
Foreclosed assets under finance lease	3,581,161	1,956,008
Prepaid taxes other than on income	1,491,938	1,014,847
Repossessed collateral	1,390,986	684,097
Borrowing costs prepaid	-	4,430,883
Other	2,951,150	1,250,337
Other assets before impairment allowance	**173,016,932**	**129,620,202**
Less: impairment allowance	(3,491,636)	(2,043,017)
Total other assets	**169,525,296**	**127,577,185**

18 Other assets (continued)

Prepayments for construction in progress. As at 31 December 2016 the prepayments for construction-in-progress comprise advance payments in the amount of Tenge 45,684,340 thousand for construction of residential houses as a part of the Nurly-Zhol State Program for Infrastructure Development. As at 31 December 2015, prepayment for construction in progress comprises advances issued to finance construction of real estate facilities in the territory of the International Specialised Exhibition EXPO-2017 in Astana of Tenge 32,449,452 thousand.

Advances for equipment to be transferred under finance lease agreements. The sum of advances for equipment to be transferred under finance lease agreements comprises the advances paid to suppliers in the amount of Tenge 30,776,173 thousand (2015: Tenge 16,921,984 thousand) and cash deposited under irrevocable letters of credit in the amount of Tenge 9,248,590 thousand (2015: Tenge 9,611,428 thousand).

Prepayments to suppliers for goods and services. Prepayments for goods and services comprise mainly the advances paid by the Holding for the residential complexes purchased from the third parties. The Holding is planning to lease out the residential complexes under finance lease contracts once the title to property is transferred to the Holding.

Assets to be transferred under finance lease agreements. Assets to be transferred under finance lease contracts comprise the residential complexes purchased during the reporting period which the Holding is planning to transfer to the lessees in 2017.

The main portion of these assets comprises the assets to be transferred under “Nurly Zhol” Programme.

As at 31 December 2016, the major projects acquired by the Holding are located in the cities of Shymkent, Aktobe, Petropavlovsk and Almaty for the total amount of Tenge 21,930,991 thousand (2015: projects in the cities of Shymkent, Aktobe, Taraz, Kyzylorda and Aktau for the total amount of 20,797,332 thousand).

Construction in progress. Construction in progress represents capitalised costs incurred during the construction by the Holding of residential properties in different regions of the Republic of Kazakhstan in the framework of the State Program "Regional Development - 2020", approved by the Decree of the Government of the Republic of Kazakhstan dated 28 June 2014 No. 728 under the President’s Statement “Nurly Zhol”. The Holding will lease out the constructed residential property under the finance lease terms approved in this program.

Movements in the impairment allowance of other assets during 2016 and 2015 are as follows:

(In thousands of Kazakhstani Tenge)	**2016**	**2015**
Balance as at 1 January	**2,043,017**	**1,257,869**
Net charge/(recovery) of impairment allowance	979,120	(321,410)
Amounts written off during the year as uncollectible	(511,880)	(3,975)
Transfers from investment securities available for sale	1,085,623	-
Transfer from finance lease receivables	-	382,459
Other	(104,244)	728,074
Impairment allowance at 31 December	**3,491,636**	**2,043,017**

19 Customer accounts

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
State and public organisations		
- Term deposits	20,007,584	-
- Current accounts	595,206	683,165
- Advances received as collateral for customer commitments	-	506,048
Other legal entities		
- Advances received as collateral for customer commitments	8,224,527	5,347,296
- Current accounts	2,889,156	6,853,610
Individuals		
- Term deposits	305,948,371	227,722,502
- Advances received as collateral for customer commitments	103,842,008	70,921,811
- Current accounts/on demand accounts	3,486,104	2,388,575
Total customer accounts	**444,992,956**	**314,423,007**

Term deposits of individuals mainly include housing savings of ZHSSBK JSC’s customers.

20 Debt securities issued

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
US dollars-denominated Eurobonds	469,242,241	526,400,823
Other Tenge-denominated bonds	511,325,292	218,053,419
Mortgage bonds	29,847,687	39,073,139
Islamic bonds Sukuk Al-Murabaha denominated in Malaysian ringgits	15,905,605	16,918,924
Total debt securities issued	**1,026,320,825**	**800,446,305**

US dollars-denominated Eurobonds. On 10 December 2012 DBK JSC issued mid-term bonds of nominal value of USD 1,000,000, which is equivalent to Tenge 150,240,000 thousand that have a coupon rate of 4.125% per annum and mature on 10 December 2022. A part of net revenues from placement of these bonds in the amount of USD 554,414 thousand, including issue costs, was used to redeem bonds for USD 499,999 that were issued on 20 December 2010. In December 2016 the Holding performed partial early redemption of Eurobonds and annulled the redeemed Eurobonds of the sixth issue for USD 160,996 thousand.

On 13 February 2013 DBK JSC issued mid-term bonds of nominal value of USD 425,000 thousand, which is equivalent to Tenge 63,975,250, net of discount and issue costs; the bonds bear a coupon rate of 4.125% and mature in 10 December 2022.

Other Tenge-denominated bonds. Other Tenge-denominated bonds comprise the following bonds:

(In thousands of Kazakhstani Tenge)	Placement date	Date of maturity	Face value 2016	Face value 2015	Carrying amount 2016	Carrying amount 2015
KZ2C0Y20F251 (not listed)	25.03.2016	25.03.2036	202,000,000	-	54,075,664	-
KZP01Y20E920 (not listed)	13.03.2015, 31.03.2015	13.03.2035	170,000,000	170,000,000	54,427,305	51,189,243
KZ2C0Y20E676 (not listed)	15.04.2014	15.04.2034	100,000,000	100,000,000	34,266,875	32,242,695
KZ2C0Y20E775 (not listed)	10.12.2014	10.12.2034	100,000,000	100,000,000	32,985,990	31,043,928
KZP01Y30E879 (not listed)	21.01.2015, 16.02.2015	21.01.2045	92,500,000	92,500,000	15,509,686	14,600,543
KZ2C0M11F378	03.08.2016	30.06.2017	85,000,000	-	89,460,036	-
KZP02Y10E820	25.05.2016	25.05.2026	65,000,000	-	65,841,942	-
KZ2C0Y20E742 (not listed)	30.10.2014	30.10.2034	50,000,000	50,000,000	16,238,471	15,263,674
KZP02Y20E738 (not listed)	26.03.2015	26.03.2035	38,095,125	38,095,125	27,962,930	26,432,207
KZP01Y03F261	10.06.2016	10.06.2019	30,000,000	-	30,214,629	-
KZP01Y20E730 (not listed)	15.07.2014	15.07.2034	23,000,000	23,000,000	19,670,611	18,681,421
KZP02Y30E877 (not listed)	29.01.2016	29.01.2046	22,500,000	-	3,892,909	-
KZP01Y10E822	29.12.2014	29.12.2024	20,000,000	20,000,000	19,995,341	20,811,040
KZP02Y10F264	01.08.2016	01.08.2026	17,500,000	-	18,499,488	-
KZP03Y15E827	28.07.2016	28.07.2031	15,000,000	-	15,937,160	-
KZP02Y20E928 (not listed)	29.09.2015	29.09.2035	15,000,000	15,000,000	4,573,249	4,298,049
KZ2C0Y20F236 (not listed)	03.02.2016	03.02.2036	15,000,000	-	4,368,147	-
KZP03Y20E736 (not listed)	09.03.2016	09.03.2036	15,000,000	-	3,404,859	-
KZP01Y05D931	08.02.2011	08.02.2016	-	3,426,853	-	3,490,619
			1,075,595,125	**612,021,978**	**511,325,292**	**218,053,419**

In 2016, the Holding issued the bonds for the total amount of Tenge 467,000,000 thousand (2015: Tenge 315,595,125 thousand):

- unsecured coupon bonds with nominal value of Tenge 22,500,000 thousand, issued on 29 January 2016, at a coupon rate of 0.10% per annum which mature in 2046. The funds will be used to finance construction and purchase of the housing real estate and it further rent. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand, issued on 3 February 2016, at a coupon rate of 0.10% per annum which mature in February 2036. The funds will be used to finance export and pre-export lending. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand, issued on 9 March 2016, at a coupon rate of 0.10% per annum which mature in March 2036. The funds will be used to finance construction of the real estates and a shopping and leisure centre on the territory of the International Specialised Exhibition EXPO-2017 in Astana. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

20 Debt securities issued (continued)

- unsecured coupon bonds with nominal value of Tenge 202,000,000 thousand, issued on 25 March 2016, at a coupon rate of 0.10% per annum which mature in March 2036. Out of the total issue proceeds, Tenge 113,000,000 thousand will be used to finance construction of rental mortgage housing; Tenge 22,000,000 thousand will be used to finance loans to depositors of ZHSSBK JSC to buy out the housing real estate; Tenge 67,000,000 thousand will be used to finance purchase of debt securities issued by the local executive authorities of the regions (cities of Astana and Almaty) for the purpose of construction of the housing real estate and its further purchase. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 65,000,000 thousand, issued on 25 March 2016, at a coupon rate of 14.00% per annum (effective interest rate – 14.01%) which mature on 25 May 2026;

- unsecured coupon bonds with nominal value of Tenge 30,000,000 thousand, issued on 10 June 2016, at a coupon rate of 14.00% per annum (effective interest rate – 14.02%) which mature on 10 June 2019;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand, issued on 28 July 2016, at a coupon rate of 15.00% per annum (effective interest rate – 15.01%) which mature on 28 July 2031;

- unsecured coupon bonds with nominal value of Tenge 17,500,000 thousand and Tenge 85,000,000 thousand issued on 1 August and 3 August 2016, at a coupon rate of 14.00% per annum (effective interest rates – 14.01% and 14.02%, respectively) which mature on 1 August 2026 and 30 June 2017, respectively;

- unsecured coupon bonds with nominal value of Tenge 170,000,000 thousand, issued in two tranches of Tenge 100,000,000 thousand and Tenge 70,000,000 thousand on 13 and 31 March 2015, respectively, at a coupon rate of 0.10% per annum which mature in March 2035. Out of the total issue proceeds, Tenge 70,000,000 thousand will be used to finance domestic car and passenger car manufacturers as well as export and pre-export lending using the leasing and/or lending instruments; Tenge 50,000,000 thousand will be used to finance small and medium enterprises in the processing industry; and another Tenge 50,000,000 thousand will be used to finance large businesses in processing industry. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 92,500,000 thousand, issued in two tranches of Tenge 50,600,000 thousand and Tenge 41,900,000 thousand, issued on 21 January 2015 and 16 February 2015, respectively with a coupon rate of 0.10% per annum which mature in January 2045. The funds are attracted to finance construction and purchase of the housing real estate and it further rent. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 38,095,125 thousand, issued on 26 March 2015, at a coupon rate of 0.10% per annum which mature in March 2035. The Holding expects to pay off the bonds in June 2022 by exercising a call option. All borrowings from bonds issue will be used to finance construction of the real estates and a shopping and leisure centre on the territory of the International Specialised Exhibition EXPO-2017 in Astana. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand, issued on 29 September 2015, at a coupon rate of 0.10% per annum which mature in September 2035. Borrowings will be used to finance export and pre-export lending. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 100,000,000 thousand, issued on 15 April 2014, at a coupon rate of 0.10% per annum which mature in April 2034. Borrowings will be used to finance small and medium enterprises in the manufacturing industry. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 100,000,000 thousand, issued on 10 December 2014, at a coupon rate of 0.10% per annum which mature in December 2034. Out of the total issue proceeds, Tenge 50,000,000 thousand will be used to finance small and medium enterprises in the manufacturing industry, while another Tenge 50,000,000 will be used to finance large businesses in the processing industry. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 50,000,000 thousand, issued on 30 October 2014, at a coupon rate of 0.10% per annum which mature in October 2034. The borrowings will be used to finance projects under the State Program of Industrial and Innovation Development of the Republic of Kazakhstan for 2015-2019 ("SPIID-2"). The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 23,000,000 thousand issued on 15 July 2014, with a coupon rate of 0.10% per annum which mature in July 2034. The Holding Company expects to pay off the bonds in January 2020 in accordance with early redemption right. Borrowings will be used to finance construction of the real estates and a shopping and leisure centre on the territory of the International Specialised Exhibition EXPO-2017 in Astana. The entire issue of bonds was acquired by the NBRK on behalf of the National Fund of the Republic of Kazakhstan;

-unsecured coupon bonds denominated in Tenge, with nominal value of Tenge 20,000,000 thousand, issued on 29 December 2014 at a coupon rate of 8.13% per annum and a maturity of December 2024 within the Bonds Issue General Programme in the amount of Tenge 100,000,000 thousand.

20 Debt securities issued (continued)

Other Tenge-denominated bonds (continued)

In accordance with the above-mentioned programs of state support and development, the Council for Management of the National Fund of the Republic of Kazakhstan sets terms and conditions for financing in the form of interest rates, financing schedule and related requirements for the Holding and commercial banks acting as program agents and end-use borrowers. In addition, the Government has approved special conditions, under which the Holding may provide further financing to the commercial banks and companies. For this reason, the difference that has arisen upon valuation of bonds purchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan in 2016 at the fair value at the placement date, was recognised as a government subsidy, as the NBRK acted in the interests of the Government and not the Holding's ultimate shareholder, because all terms and conditions of the loans have been agreed on at the Government level in the resolution concerning financing of the above-mentioned programs, and the Government does not expect any direct economic benefits from these programs in its capacity of the Holding's shareholder as the ultimate beneficiaries are the subjects specified by the programs. Thus, in 2016 the Holding accounted for the income of Tenge 192,194,206 thousand (2015: Tenge 223,590,219 thousand), recognised in other operating income in the separate statement of profit or loss and other comprehensive income (Note 31).

On 25 March 2016, the Holding issued bonds with nominal value of Tenge 22,000,000 thousand and interest rate at 0.10% which were completely purchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan. The discount of Tenge 13,541,734 thousand arising upon initial recognition was recognised directly in equity as an additional paid-in capital (less effect of the respective income tax of Tenge 3,385,431 thousand), as management determined that the Government acted in the capacity of a shareholder when providing the Holding with said financing instruments at interest rates below market rates, without any additional conditions.

In determining the fair value of the issued bonds upon initial recognition, the Holding has applied the market interest rates in the range from 6.51% to 8.29% per annum (2015: from 5.93% to 7.01% per annum).

Mortgage bonds. Mortgage bonds comprise debt securities issued by KMC JSC denominated in Tenge. These bonds have floating and fixed coupon rates varying from 6.50% to 8.50% per annum (effective interest rates vary from 7.42% to 13.45% per annum). They will be redeemed during 2017-2020. Bonds are secured by customer loan agreements and relevant real estate which is the collateral for these loans. Floating coupon rates are dependent on the inflation rate which is based on the inflation index for the recent 12 months according to data reported by the Agency of Statistics of the Republic of Kazakhstan, and subject to semi-annual revision in accordance with the issue date.

Islamic bonds Sukuk Al-Murabaha denominated in Malaysian ringgits. On 3 August 2012, DBK JSC issued medium-term "Sukuk Al Murabaha" Islamic bonds denominated in Malaysian ringgits with maturity in August 2017 and a coupon rate of 5.50% per annum.

21 Subordinated debt

(In thousands of Kazakhstani Tenge)	Date of maturity	Currency	Coupon rate, %	31 December 2016	31 December 2015
Subordinated bonds issued at KASE	April 2017	KZT	8.00	10,152,242	9,981,675
Subordinated debt to NWF "Samruk-Kazyna" JSC	September 2059	KZT	0.01	5,013,296	4,671,181
Total subordinated debt				**15,165,538**	**14,652,856**

Subordinated debt includes unsecured loans provided by NWF Samruk-Kazyna JSC to subsidiaries of the Holding to implement government programs, provide mortgage loans to participants of "Affordable Housing - 2020", finance small and medium business entities and other sectors of economy of the Republic of Kazakhstan.

In case of bankruptcy, the repayment of the subordinated debt will be made after repayment in full of all other liabilities.

22 Loans from banks and other financial institutions

(In thousands of Kazakhstani Tenge)	Date of maturity	Currency	Rate (%)	31 December 2016	31 December 2015
Loans from related parties					
NWF "Samruk-Kazyna" JSC	01.12.2023	KZT	5.50	19,416,325	19,416,325
NWF "Samruk-Kazyna" JSC	01.08.2019	KZT	1.00	18,291,723	18,291,723
NWF "Samruk-Kazyna" JSC	30.11.2021	KZT	1.00	15,176,057	15,176,057
NWF "Samruk-Kazyna" JSC	20.06.2021	KZT	0.20	12,541,913	12,541,913
NWF "Samruk-Kazyna" JSC	15.11.2022	KZT	0.20	10,002,556	10,002,556
NWF "Samruk-Kazyna" JSC	30.06.2018	KZT	2.00	6,060,333	6,060,333
NWF "Samruk-Kazyna" JSC	29.11.2023	KZT	0.60	5,050,023	5,050,023
NWF "Samruk-Kazyna" JSC	01.11.2029	KZT	0.20	4,335,380	4,668,871
NWF "Samruk-Kazyna" JSC	01.12.2021	KZT	0.20	336,588	392,813
				91,210,898	**91,600,614**
Loans with fixed interest rate					
Loans from OECD banks and other financial institutions					
HSBC Bank plc.	05.07.2023	EUR	2.85	15,940,788	16,927,698
JBIC Sumitomo Mitsui Banking	21.12.2019	JPY	3.25	3,681,483	4,874,210
Loans from non-OECD banks and other financial institutions					
Export-Import Bank of China	21.07.2019	USD	4.00	339,326,252	346,167,959
Export-Import Bank of China	21.05.2025	USD	3.00	115,823,036	131,287,036
Export-Import Bank of China	23.10.2025	USD	3.00	64,019,629	68,747,823
Asian Development Bank	15.09.2020	USD	1.848%+0.50%	43,550,874	41,525,820
Asian Development Bank	15.10.2019	USD	2.08	40,790,893	44,137,155
Asian Development Bank	15.09.2020	USD	2.28	32,830,395	33,272,624
Halyk Bank Kazakhstan JSC	28.12.2017	KZT	8.20	7,153,257	14,304,563
Asian Development Bank	15.09.2016	USD	2.28	-	22,435,797
SB Sberbank of Russia JSC	11.07.2016	KZT	9.00	-	7,421,381
				663,116,607	**731,102,066**
Loans with floating interest rate					
Loans from OECD banks and other financial institutions					
Sumitomo Mitsui Banking Corporation Europe Limited	16.05.2022	USD	LIBOR+ 2.75%	9,998,076	-
Japan Bank for International Cooperation (Japan) Mizhuho Corporate Bank	25.01.2023	USD	LIBOR+ 0.675%	3,343,745	3,408,521
BNP Paribas	01.11.2018	EUR	Euribor+ 1.75%	1,033,103	1,634,017
Loans from non-OECD banks and other financial institutions					
Export-Import Bank of China	21.07.2023	USD	LIBOR+ 3.00%	219,886,641	255,742,114
China Development Bank	13.06.2025	USD	LIBOR+ 2.7%	66,959,758	68,443,446
China Development Bank	15.06.2025	USD	LIBOR+ 2.7%	56,778,711	-
China Development Bank	15.04.2019	USD	LIBOR+ 4.90%	11,818,902	16,853,792
China Development Bank	15.12.2018	USD	LIBOR+ 4.90%	9,357,828	14,316,258
China Development Bank	23.06.2018	USD	LIBOR+ 1.10%	7,002,848	11,905,405
				386,179,612	**372,303,553**
Total loans from banks and other financial institutions				**1,140,507,117**	**1,195,006,233**
Less unamortised portion of borrowing costs				**(39,050,560)**	**(56,973,376)**
				1,101,456,557	**1,138,032,857**

23 Loans from the Government of the Republic of Kazakhstan

As at 31 December 2016 and 31 December 2015 loans from the Government of the Republic of Kazakhstan with the carrying amount of Tenge 103,624,332 thousand and Tenge 54,381,837 thousand, respectively, comprise long-term loans obtained by the Holding at 0.05% to 1.00% per annum to implement the state housing programmes, develop small and medium size entrepreneurship and support such economy sectors as textiles, gas processing and chemicals by issuing low interest rate loans.

In 2016, the Holding stated income of Tenge 78,157,983 thousand as government grants (2015: nil), recognised in other operating income in the separate statement of profit or loss and other comprehensive income. The Holding used estimated market interest rates of 8.00% – 10.30% per annum to measure the fair value of the loans received from the Government of the Republic of Kazakhstan at initial recognition by discounting their future contractual cash flows.

24 Other financial liabilities

Other financial liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Amounts placed by customers as security for letters of credit	14,484,775	-
Government grants liabilities	14,341,822	15,675,071
Liability to pay compensation on customer accounts	12,000,000	-
Derivative financial instruments	9,239,733	9,656,433
Payables for mortgage loans acquired	7,214,206	7,016,741
Payables on banking activity	3,654,227	2,925,749
Innovation grants received	3,044,450	-
Provision for credit related commitments	1,539,429	1,841,536
Accrued fee and commission expenses	1,196,478	783,330
Interest strip payable	1,017,687	1,503,295
Other accounts payable	832,485	1,059,720
Other	1,918,581	1,337,927
Total other financial liabilities	**70,483,873**	**41,799,802**

Government grants liabilities. Government grants are placed by the Ministry of Economic Development and Trade of the Republic of Kazakhstan and municipal bodies. Such funds are further transferred to local banks as payment against projects subsidised by the Government under the “Road Map of Business – 2020”.

Liability to pay compensation on customer accounts. In 2015, following transition to a floating foreign exchange rate as a result of Tenge devaluation, the Government of the Republic of Kazakhstan (the “Government”) in collaboration with the Holding adopted a decision to compensate the housing construction savings partially from the funds of the state budget and partly from the Holding’s own funds. Thus, retained earnings of previous years of Tenge 24,000,000 thousand was allocated for payment of compensation on customer deposits in 2016 and 2017. As at 31 December 2016, the Holding transferred Tenge 10,443,922 thousand to the customer accounts. Unutilised compensation of KZT 1,556,078 thousand has been transferred to the Holding’s retained earnings.

Derivative financial instruments. Derivative financial instruments comprise foreign currency swaps and cross-currency interest rate swaps with maturity in 2017-2018 (31 December 2015: in 2017-2018) measured at fair value (Note 38).

Payables for mortgage loans acquired. Payables comprise final repayment on some mortgage loans acquired (Note 9) with due date after transfer of the documents on the acquired loans. The management expects that the transfer to be finalised in 2017.

Payables on banking activity. The payables on banking activity comprise deferred commission income received for opening term deposits for clients of ZHSSBK JSC.

25 Other liabilities

Other financial liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Government grants	345,794,945	143,671,433
Deferred income	6,985,184	17,077,399
Deferred income on guarantees	3,888,741	2,891,020
Advances received under finance leases	3,421,941	4,878,593
Prepayments	2,007,876	1,854,472
Follow-up control of performance of liabilities	1,857,683	825,819
Accrued employee benefit costs	1,269,662	1,092,110
Taxes payable other than on income	901,745	984,241
Provision for compensation on customer accounts	-	24,000,000
Provision for sale of investment	-	5,027,106
Deferred income from donated property	-	299,149
Other	3,787,863	3,125,239
Total other liabilities	**369,915,640**	**205,726,581**

Government grants. The Holding recorded as government grants the amount of benefits received from loans provided at low interest rates by the National Fund of the Republic of Kazakhstan and NWF Samruk-Kazyna JSC.

(In thousands of Kazakhstani Tenge)	31 December 2016	31 December 2015
Balance at the beginning of the year	**143,671,433**	**12,745,263**
Government grants received from the Government of the Republic of Kazakhstan by means of issue of debt securities (Note 20)	175,267,039	223,590,219
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Government of the Republic of Kazakhstan (Note 23)	78,157,983	-
Utilisation of government grant upon issuance of low interest loans to commercial banks and developer of a shopping and leisure centre for the International Specialised Exhibition EXPO-2017	(37,822,703)	(86,170,517)
Utilisation of government grant for purchase of local executive bodies	(7,223,299)	-
Utilisation of government grant upon issuance of loans to other borrowers	(1,759,842)	(1,990,614)
Amortisation for the year	(2,746,211)	(3,037,463)
Utilisation of government grant upon issuance of finance lease	(1,756,449)	(1,465,455)
Net foreign exchange loss	6,994	-
Balance at the end of the year	**345,794,945**	**143,671,433**

Subsequent to initial recognition, the Holding charged to profit or loss an amount corresponding to the renegotiated debt provided to the borrowers on favourable terms upon fulfilment of the conditions of state programs (Notes 8 and 9). The Holding is responsible for allocation benefits to ultimate borrowers through low interest loans.

Deferred income comprises deferred income related to reimbursement of commission fee and management fee by the borrower for loans provided to the Holding by Export-Import Bank of China. Accrued liabilities include commitment fee receivable from the borrower to compensate for the commission expenses (Note 22).

25 Other liabilities (continued)

Provision for compensation on customer accounts. On 20 August 2015, the NBRK announced that the Tenge, which had previously been managed within an exchange rate corridor, would float freely against other currencies going forward. The new regime resulted in a large devaluation of the Tenge. Following the devaluation of the Tenge, the President of the Republic of Kazakhstan instructed the Holding to prepare a proposal on compensation of individuals' deposits in Tenge placed with the ZHSSBK JSC.

In accordance with the Minutes of the meeting of the Council for Economic Policy dated 25 December 2015, No. 9, as a part of consideration of a mechanism to pay compensation to the depositors of ZHSSBK JSC, the decision was made to take measures to ensure payment of compensation to the depositors of ZHSSBK JSC at the expense of the Holding's own funds. As this was decision made by a controlling party of the Holding, the Holding recognised provision for payment of compensation of the customers' funds in the amount of Tenge 24,000,000 thousand directly in equity as at 31 December 2015.

In terms of the scheme, all depositors who had the housing construction savings agreement outstanding on 18 August 2015 will be entitled to compensation provided that they formally apply, sign additional agreements with the ZHSSBK JSC by 1 June 2016 and retain their deposits until the date of the compensation payment. The payments to the depositors will be made from the funds of the state budget and partly from the Holding's own funds in 2016 and 2017 (Note 24).

Provision for sale of investment. In 2015 the Holding performed the asset impairment testing and recognised an impairment loss on investments in construction of the glass manufacturing factory in the amount of Tenge 16,980,423 thousand, from which Tenge 5,027,106 thousand has been recognised as a part of other liabilities. The amount of impairment loss was calculated as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted using the current market rate of return on the similar assets.

26 Share capital

(In thousands of Kazakhstani Tenge, except for number of shares)	**31 December 2016**	**31 December 2015**
Authorised ordinary shares	5,000,086,550	5,000,086,550
Issued but not paid ordinary shares	(4,197,767,838)	(4,241,767,838)
Total issued shares paid	**802,318,712**	**758,318,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**802,318,712**	**758,318,712**

Each ordinary share carries one vote.

During 2016, the Holding received three cash contributions to share capital of Tenge 44,000,000 thousand (2015: one cash contribution of Tenge 40,000,000 thousand).

Dividends Declared. During 2016 and 2015, the Holding neither declared nor distributed dividends.

27 Interest income and expense

(In thousands of Kazakhstani Tenge)	**2016**	**2015**
Interest income		
Loans to customers	120,352,085	95,716,495
Due from banks	63,877,113	37,729,047
Cash and cash equivalents	42,502,592	16,496,457
Debt investment securities available for sale	25,359,660	21,443,525
Finance lease receivables	11,246,710	4,686,102
Debt securities at fair value through profit or loss	598,223	627,410
Investment securities held to maturity	-	877,865
Receivable under reverse repurchase agreement	-	145,435
Other	76,763	342,683
Total interest income	**264,013,146**	**178,065,019**
Interest expense		
Debt securities issued	(63,677,322)	(38,656,145)
Loans from banks and other financial institutions	(55,129,584)	(37,609,949)
Customer accounts	(6,080,932)	(4,425,441)
Loans from the Government of the Republic of Kazakhstan	(1,766,789)	(977,400)
Subordinated debt	(750,165)	(1,301,337)
Other	(101,757)	(125,250)
Total interest income	**(127,506,549)**	**(83,095,522)**
Net interest income	**136,506,597**	**94,969,497**

Included within various line items under interest income for the year ended 31 December 2016 is a total of Tenge 5,984,505 thousand (2015: Tenge 6,728,146 thousand) accrued on impaired financial assets.

28 Fee and commission income and expense

(In thousands of Kazakhstani Tenge)	2016	2015
Fee and commission receipts		
Fee and commission income arising from financial assets not measured at fair value through profit or loss:		
- Performance guarantees	2,101,980	1,405,166
- Agency services	868,730	864,539
- Commissions for increase in the contract amount of housing construction savings	392,611	324,507
- Cash operations	268,685	344,412
- Project-related consultations	215,560	147,394
- Letters of credit	215,548	239,222
- Reservation commission on undrawn part of loan	141,852	406,774
- Transfer services	51,820	54,004
- Other	44,746	118,077
Total fee and commission income	**4,301,532**	**3,904,095**
Fee and commission expense		
Fee and commission expense arising from financial assets not measured at fair value through profit or loss:		
- Agency services	(1,809,811)	(1,217,252)
- Eurobonds issue	(110,023)	(15,384)
- Securities transactions	(67,129)	(67,272)
- Transfer services	(46,165)	(28,257)
- Custodial services	(26,766)	(20,641)
- Credit card management	(5,565)	(4,960)
- Commission on undrawn part of loan	(4,919)	(347,272)
- Loan bureau services	(4,045)	(6,296)
- Maintenance of current accounts	(1,223)	(1,085)
- Involvement of policyholders	-	(740)
- Other	(181,016)	(52,879)
Total fee and commission expense	**(2,256,662)**	**(1,762,038)**
Net fee and commission income	**2,044,870**	**2,142,057**

29 Net (loss)/gain on financial assets at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	2016	2015
(Losses less gains)/gains less losses on derivative financial instruments	(10,192,135)	83,267,401
Gains less losses/(losses less gains) on trading securities	505,368	(1,060,179)
Gains less losses on other financial instruments at fair value through profit or loss	3,411,936	5,510,340
Total net (loss)/gain on financial assets at fair value through profit or loss	**(6,274,831)**	**87,717,562**

30 Net foreign exchange gain/(loss)

(In thousands of Kazakhstani Tenge)	2016	2015
Gains less losses/(losses less gains) arising from foreign currency translation	5,798,432	(47,326,712)
(Losses less gains)/gains less losses arising from foreign currency operations	(468,970)	4,505,197
Total net foreign exchange gain/(loss)	**5,329,462**	**(42,821,515)**

31 Other operating income/(expense)

(In thousands of Kazakhstani Tenge)	2016	2015
Net gain on initial recognition of financial instruments at below-market interest rates	2,707,529	6,546,762
Income from write-off of liabilities	2,593,627	-
Revenue from provision of services	1,360,829	1,458,451
Dividends received	1,205,069	378,696
Recovery of/(provision for) impairment of property, plant and equipment and intangible assets	50,851	(2,346,848)
Gain from sales of non-current assets held for sale	-	4,318,337
Gain from change in expected cash flows on rights of claim on loans	-	922,436
Charge for provision from sale of investment	-	(5,027,106)
Impairment of advances paid	-	(9,600,627)
(Losses less gains)/gains less losses on buyback of own debt securities	(473,208)	3
Restructuring losses on loans to customers	(811,154)	-
(Provision for)/recovery of impairment of other assets (Note18)	(979,120)	321,410
Loss from repayment of loans from banks and other financial institutions before maturity	(4,704,446)	-
Other income	3,123,044	194,191
Total other operating income/(expense)	**4,073,021**	**(2,834,295)**

In December 2016, the Holding requested partial early repayment under the loan from Export-Import Bank of China and made an accrual of expense of KZT 4,704,446 thousand resulting from the revision of repayment schedule. The repayment was done in January 2017.

During 2015, the Holding performed an impairment test of one cash generating unit (construction of manufacturing factory) and recognised impairment of advances paid to suppliers of construction services in the amount of Tenge 9,600,627 thousand.

32 Provision for impairment of other assets and credit related commitments

(In thousands of Kazakhstani Tenge)	2016	2015
Other financial assets (Note 17)	557,508	(1,330,135)
Guarantees issued	284,041	(1,241,607)
Investment securities available for sale (Note 10)	(113,331)	(376,564)
Finance lease receivables (Note 11)	(1,887,447)	(2,017,079)
Cash (Note 6)	(2,525,737)	-
Due from banks (Note 8)	(33,045,306)	230,110
Investment securities held to maturity	-	(35,325)
Total provision for impairment of other assets and credit related commitments	**(36,730,272)**	**(4,770,600)**

33 Administrative expenses

(In thousands of Kazakhstani Tenge)	2016	2015
Personnel costs	17,466,436	16,214,232
Professional services	4,357,627	3,345,077
Operating lease expense	1,660,825	1,318,587
Taxes other than on income	1,510,081	1,537,638
Depreciation of property, plant and equipment	1,346,500	1,149,907
Repair and technical equipment	1,010,454	980,941
Advertising and marketing services	910,361	976,671
Administrative expense of the Board of Directors	649,373	414,670
Business trip expenses	618,884	440,901
Contributions to “Kazakhstan Deposit Insurance Fund” JSC	583,787	560,619
Amortisation of software and other intangible assets	538,329	432,418
Communications services	526,062	442,329
Information services	397,599	305,698
Materials	394,186	469,387
Staff training	276,279	315,755
Insurance	241,961	611,446
Security services	184,152	373,934
Utilities	173,689	191,836
Transportation services	172,481	169,068
Other	2,634,036	2,372,081
Total administrative expenses	**35,653,102**	**32,623,195**

34 Income tax

Income tax expense recorded in profit or loss for the year comprises the following:

(In thousands of Kazakhstani Tenge)	2016	2015
Current tax	10,310,843	11,851,047
Deferred tax	(216,969)	15,297,569
Income tax expense for the year	**10,093,874**	**27,148,616**

The income tax rate applicable to the Holding’s 2016 income is 20% (2015: 20%).

34 Income tax (continued)

A reconciliation between the estimated and the actual tax charges is provided below:

(In thousands of Kazakhstani Tenge)	2016	2015
Profit before income tax	**58,647,231**	**76,530,664**
The estimated tax charges at statutory rate of 20% (2014: 20%)	11,729,446	15,306,133
- Non-taxable income on securities	(6,002,191)	(2,737,476)
- Other non-taxable income	(2,838,433)	(2,074,471)
- Non-deductible impairment losses on loans	3,763,599	6,053,611
- Non-deductible loss on indexation of discount on IFK JSC debt	-	2,327,162
- Other non-deductible expenses	2,540,011	2,589,918
- Adjustment of current income tax expense for prior years	(377,786)	(946,016)
- Previously unrecognised tax asset	(289,090)	(984,272)
- Taxable recovery of impairment on loans transferred from DBK JSC to IFK JSC	-	270,474
- Non-deductible interest on loans transferred from DBK JSC to IFK JSC	-	1,333,654
- Change in unrecognised deferred tax assets	1,074,080	3,490,582
- Write-off of deferred tax assets	504,195	-
- Derecognition of previously recognised tax asset, withheld at source (2009-2016)	327,411	-
- Other permanent differences	(337,368)	2,519,317
Income tax expense for the year	**10,093,874**	**27,148,616**

Deferred tax assets and liabilities have not been recognised in respect of the following items:

(In thousands of Kazakhstani Tenge)	31 December 2016	Change for the year	31 December 2015	Change for the year	1 January 2015
Finance lease receivables	2,169,326	549,664	1,619,662	377,268	1,242,394
Interest accrued at contractual rate and written off	81,218	(2,321)	83,539	(301)	83,840
Other financial assets at fair value through profit or loss	511,118	283,047	228,071	228,071	-
Investment in subsidiaries	1,131,235	-	1,131,235	(75,997)	1,207,232
Investment in associates	4,927,683	(226,188)	5,153,871	212,325	4,941,546
Other assets	-	(20,899)	20,899	(37,420)	58,319
Tax loss carried forward	3,496,938	206,084	3,290,854	2,802,942	487,912
Derivative financial instruments	201,610	202,433	(823)	87,181	(88,004)
Other liabilities	-	82,260	(82,260)	(103,487)	21,227
Net unrecognised deferred tax assets	**12,519,128**	**1,074,080**	**11,445,048**	**3,490,582**	**7,954,466**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

34 Income tax (continued)

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2015: 20%).

(In thousands of Kazakhstani Tenge)	1 January 2016	Recognised in profit or loss	Recognised directly in equity	Effect from sale of Orda Glass LLP	31 December 2016
Tax effect of deductible/(taxable) temporary differences					
Cash and cash equivalents	-	(856,616)	856,616	-	-
Due from banks	44,213,529	2,971,648	-	-	47,185,177
Loans to customers	9,815,160	3,396,747	277,410	161	13,489,478
Finance lease receivables	1,619,662	549,664	-	-	2,169,326
Interest accrued at contractual rate and written off	83,539	(2,321)	-	-	81,218
Investment securities available for sale	3,804	178	-	-	3,982
Investment in subsidiaries	1,131,235	(31,448)	-	-	1,099,787
Investment in associates and subsidiaries	4,873,139	15,734	-	-	4,888,873
Property, plant and equipment	(542,489)	2,770,455	-	277	2,228,243
Other assets	(10,042,160)	144,937	-	-	(9,897,223)
Tax loss carried forward	9,305,879	(4,322,176)	-	-	4,983,703
Debt securities issued	(78,391,974)	(46,934,761)	-	-	(125,326,735)
Loans from banks and other financial institutions	(8,583,135)	2,269,174	(3,385,433)	-	(9,699,394)
Loans from the Government of the Republic of Kazakhstan	(1,074,449)	56,724	-	-	(1,017,725)
Other liabilities	17,961,850	39,115,595	(4,170)	1,762,992	58,836,267
Net deferred tax asset/(liability) before recoverability assessment	**(9,626,410)**	**(856,466)**	**(2,255,577)**	**1,763,430**	**(10,975,023)**
Recognised deferred tax asset	4,960,948	(147,303)	-	-	4,813,645
Recognised deferred tax liability	(26,032,406)	364,272	(2,255,577)	1,763,430	(26,160,281)
Net deferred tax asset/(liability)	**(21,071,458)**	**216,969**	**(2,255,577)**	**1,763,430**	**(21,346,636)**

34 Income tax (continued)

(In thousands of Kazakhstani Tenge)	1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	31 December 2015
Tax effect of deductible/(taxable) temporary differences					
Due from banks	28,963,538	15,249,991	-	-	44,213,529
Loans to customers	4,897,636	2,968,058	-	1,949,466	9,815,160
Finance lease receivables	1,242,394	377,268	-	-	1,619,662
Interest accrued at contractual rate and written off	83,840	(301)	-	-	83,539
Investment securities available for sale	391,667	(19,396)	(368,467)	-	3,804
Investment securities held to maturity	372,456	(372,456)	-	-	-
Investment in subsidiaries	1,207,232	(75,997)	-	-	1,131,235
Investment in associates and subsidiaries	5,022,560	(149,421)	-	-	4,873,139
Property, plant and equipment	(494,709)	(47,780)	-	-	(542,489)
Other assets	4,640,948	(10,035,969)	-	(4,647,139)	(10,042,160)
Tax loss carried forward	3,051,904	6,253,975	-	-	9,305,879
Debt securities issued	(35,414,365)	(43,031,264)	-	53,655	(78,391,974)
Loans from banks and other financial institutions	(9,919,854)	1,336,719	-	-	(8,583,135)
Loans from the Government of the Republic of Kazakhstan	(1,079,295)	4,846	-	-	(1,074,449)
Other liabilities	4,358,629	15,734,740	-	(2,131,519)	17,961,850
Net deferred tax asset/(liability) before recoverability assessment	**7,324,581**	**(11,806,987)**	**(368,467)**	**(4,775,537)**	**(9,626,410)**
Recognised deferred tax asset	6,486,752	(1,525,804)	-	-	4,960,948
Recognised deferred tax liability	(7,116,637)	(13,771,765)	(368,467)	(4,775,537)	(26,032,406)
Net deferred tax asset/(liability)	**(629,885)**	**(15,297,569)**	**(368,467)**	**(4,775,537)**	**(21,071,458)**

In the context of the Holding's current structure and Kazakhstani tax legislation, tax losses and current tax assets of different companies of the Holding may not be offset against current tax liabilities and taxable profits of other companies of the Holding and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan. Utilisation of tax loss carried forward expires in 2019-2026.

35 Financial risk management

The risk management function within the Holding is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Risk management rules and procedures of the Holding. The Holding's risk management policy has the following objectives: to identify, analyse and manage risks faced by the Holding, establish limits on risk levels and relevant controls, and continuously assess levels of risks and ensure that exposure to risks stays within the established limits. The risk management policy and procedures of the subsidiaries are regularly reviewed to reflect changes in the market conditions, proposed products and services and emerging best practices. The risk management policy of the Holding was approved in October 2013.

The risk management policy has the following objectives:

- to establish the effective comprehensive system and integrated process of risk management as an element of the Holding's governance, and continuously improve the Holding's activities based on the unified standardised approach to the risk management methods and procedures;
- to define the retaining ability and provide for efficient management of accepted risks;
- to identify risks in a timely manner;
- to mitigate losses and reduce operating costs to cover potential losses.

Risk management structure. The risk management structure of the Holding comprises risk management at several levels with engagement of the following bodies and structural units of the Holding: Board of Directors, Management Board, Committee of Asset and Liability Management, Risk Management Department, Internal Audit Function, collective bodies and other structural units.

The Board of Directors. The first level of the risk management process is represented by the Board of Directors of the Holding. The Board of Directors takes full responsibility for proper operation of risk management control system, management of key risks and corporate risk management system. The Board of Directors defined the objectives of the Holding's activities and approves documents related to risk management.

Management Board. The second level of the risk management process is represented by the Management Board of the Holding. The Management Board is responsible for establishment of efficient risk management system and risk control structure to provide for compliance with the corporate policy requirements. The Management Board is liable for creation of "risk consciousness" culture which reflects risk management and risk management philosophy of the Holding. In addition, the Management Board also bears liability for implementation of the efficient risk management system where all employees have a clearly defined responsibility for risk management and are accountable for proper execution of their duties. The Management Board is authorised to execute a part of their functions in risk management area through establishment of respective committees.

The Audit Committee of the Board of Directors. The Audit Committee of the Board of Directors is a standing advisory body of the Holding's Board of Directors, established to enhance efficiency and quality of work of the Board of Directors through preparing recommendations for the Board of Directors related to establishment of the effective control system over the Holding's financial and economic operations (including completeness and accuracy of the financial statements), monitoring of reliability and efficiency of the internal control and risk management systems and execution of the documents related to corporate governance, and control of independence of the external audit and internal audit function.

Committee of Assets and Liabilities Management (the "CALM"). The CALM is a permanent collective body of the Holding accountable to the Management Board which operates within the authorities as defined by the Management Board. The CALM has the following objectives: to provide for making timely and proper decisions in the sphere of management of the Holding's assets and liabilities; to attract investors for cooperation with the Holding, to maintain the adequate level of financial stability; to increase the Holding's profitability and mitigate risks at investment decision making.

35 Financial risk management (continued)

Risk Management Department. The third level of the risk management process is represented by the Risk Management Department, which objectives include overall risk management and legal compliance monitoring, as well as control over implementation of general principles and methods of identification, assessment, management of and reporting on financial and non-financial risks.

Internal Audit Service. In course of risk management, the Internal Audit Function of the Holding audits risk management procedures and risk assessment methods and develops proposals aimed at improvement of efficiency of risk management procedures. The Internal Audit provides reports on risk management system to the Board of Directors of the Holding and performs other functions in accordance with the approved regulatory documents.

Structural units. One of the key elements in the risk management structure is structural units of the Holding which are represented by each employee. Structural units (risk owners) play the key role in the risk management process. The Holding's employees address and manage risks on a daily basis, and control the potential effect of risk on their business. Structural units are responsible for implementation of the risk management action plan, timely identification and communication of major risk in their business areas and development of proposals for risk management to be included into the action plan.

Credit risk. The Holding takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the lending and other transactions with counterparties of the Holding and its subsidiaries giving rise to financial assets.

The Holding's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. The credit risk is mitigated by collateral and other credit enhancements.

The subsidiaries of the Holding structure the levels of credit risk they undertake by placing limits on transactions with counterparties, including limits on the level of risk accepted in relation to one borrower, or groups of borrowers, based on the Regulations for Management of Financial Assets and Liabilities of the subsidiary and Baiterek National Managing Holding JSC, and other internal regulatory documents regulating credit risk of the Holding's subsidiaries. Limits on the level of credit risk by product and industry sector are approved regularly by management of the subsidiaries. Such risks are monitored on a revolving basis and subject to at least an annual review.

Loan applications originated by the relevant client relationship managers are passed on to the relevant credit committee of the subsidiary for approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by them.

The subsidiaries review the aging analysis of outstanding loans and follows up on past due balances. Management of the subsidiaries, therefore, considers it appropriate to provide aging and other information about credit risk to the Board of Directors of the subsidiaries and management of the Holding.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The subsidiaries of the Holding use the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Market risk. The Holding takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management of the Holding sets limits on the value of risk that may be accepted, which is monitored on a monthly basis. The subsidiaries of the Holding set separate limits on the basis of the general limits established by the Holdings, and monitor their compliance on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management of the Holding sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. Based on the limits set by the Holding the subsidiaries set limits applicable to them and monitor them on a daily basis.

35 Financial risk management (continued)

Currency risk (continued)

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Tenge	USD	Euro	Other	Total
ASSETS					
Cash and cash equivalents	375,586,674	68,456,597	5,289,790	2,179,038	451,512,099
Financial instruments at fair value through profit or loss	20,596,456	550,483	-	600,763	21,747,702
Due from banks	595,769,990	146,808,657	468,954	-	743,047,601
Loans to customers	876,994,465	878,216,350	16,669,835	3,507,735	1,775,388,385
Investment securities available for sale	303,699,888	228,320,627	-	220,427	532,240,942
Finance lease receivables	155,603,037	-	-	-	155,603,037
Other financial assets	15,825,501	5,688,346	2,230	-	21,516,077
Total monetary financial assets	**2,344,076,011**	**1,328,041,060**	**22,430,809**	**6,507,963**	**3,701,055,843**
LIABILITIES					
Customer accounts	434,253,996	9,050,160	1,688,800	-	444,992,956
Debt securities issued	541,172,979	469,242,241	-	15,905,605	1,026,320,825
Subordinated debt	15,165,538	-	-	-	15,165,538
Loans from banks and other financial institutions	86,553,631	995,228,185	16,027,014	3,647,727	1,101,456,557
Loans from the Government of the Republic of Kazakhstan	103,245,775	378,557	-	-	103,624,332
Insurance contract provisions	1,536,207	-	-	-	1,536,207
Other financial liabilities	41,622,028	19,382,822	4,001,019	62,910	65,068,779
Total monetary financial liabilities	**1,223,550,154**	**1,493,281,965**	**21,716,833**	**19,616,242**	**2,758,165,194**
Net position before derivatives	**1,120,525,857**	**(165,240,905)**	**713,976**	**(13,108,279)**	**942,890,649**
Claims on derivatives	1,492,200	239,478,157	-	17,836,800	258,807,157
Liabilities on derivatives	(157,590,892)	(25,361,319)	-	(2,257,098)	(185,209,309)
Total net position	**964,427,165**	**48,875,933**	**713,976**	**2,471,423**	**1,016,488,497**

35 Financial risk management (continued)

Currency risk (continued)

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2015:

(In thousands of Kazakhstani Tenge)	Tenge	USD	Euro	Other	Total
ASSETS					
Cash and cash equivalents	213,572,232	158,153,418	3,059,301	1,439,867	376,224,818
Financial instruments at fair value through profit or loss	18,889,362	4,755,173	-	1,139,860	24,784,395
Due from banks	417,987,474	126,546,885	457,587	-	544,991,946
Loans to customers	716,170,161	996,859,539	16,514,369	3,626,797	1,733,170,866
Investment securities available for sale	239,667,452	129,438,637	-	229,974	369,336,063
Finance lease receivables	62,508,925	-	-	-	62,508,925
Other financial assets	12,537,084	10,803,478	375,832	-	23,716,394
Total monetary financial assets	**1,681,332,690**	**1,426,557,130**	**20,407,089**	**6,436,498**	**3,134,733,407**
LIABILITIES					
Customer accounts	306,885,957	7,453,853	80,188	3,009	314,423,007
Debt securities issued	257,079,664	526,447,717	-	16,918,924	800,446,305
Subordinated debt	14,652,856	-	-	-	14,652,856
Loans from banks and other financial institutions	121,522,075	994,298,632	17,394,879	4,817,271	1,138,032,857
Loans from the Government of the Republic of Kazakhstan	53,996,261	385,576	-	-	54,381,837
Insurance contract provisions	1,070,893	-	-	-	1,070,893
Other financial liabilities and provisions	51,000,674	11,512,426	97,481	89,234	62,699,815
Total monetary financial liabilities	**806,208,380**	**1,540,098,204**	**17,572,548**	**21,828,438**	**2,385,707,570**
Net position before derivatives	**875,124,310**	**(113,541,074)**	**2,834,541**	**(15,391,940)**	**749,025,837**
Claims on derivatives	1,492,200	244,306,664	-	19,022,400	264,821,264
Liabilities on derivatives	(157,590,892)	(25,872,670)	-	(2,407,126)	(185,870,688)
Total net position	**719,025,618**	**104,892,920**	**2,834,541**	**1,223,334**	**827,976,413**

Derivatives presented above are monetary financial assets or monetary financial liabilities which reflect fair value of the respective currency at the end of the reporting period.

35 Financial risk management (continued)

Currency risk (continued)

The following table presents sensitivities of profit to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Holding, with all other variables held constant:

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
US Dollar strengthening by 20% (2015: strengthening by 20%)	7,820,149	16,782,867
US Dollar weakening by 20% (2015: weakening by 20%)	(7,820,149)	(16,782,867)
EUR strengthening by 20% (2015: strengthening by 20%)	114,236	453,527
EUR weakening by 20% (2015: weakening by 20%)	(114,236)	(453,527)
Other currencies strengthening by 20% (2015: strengthening by 20%)	395,428	195,733
Other currencies weakening by 20% (2015: weakening by 20%)	(395,428)	(195,733)

The above analysis only includes financial assets and liabilities. The Holding believes that investments in equity instruments and non-monetary assets will not result in significant currency risk. Risk was only calculated for monetary balances denominated in currencies other than the functional currency of the Holding.

Interest rate risk. The Holding takes on exposure 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 reduce or create losses in the event that unexpected movements arise. Interest rate risk management by the subsidiaries is based on the principles of full coverage of costs: resulting interest income should cover costs for raising and placement of funds and provide for net profit generation and competitiveness. Report on interest rate classifies assets, liabilities, off-balance sheet claims and liabilities which are sensitive to changes in interest rates, and groups them in economically homogeneous and significant items, by time period depending on their maturities (for fixed rates) or time to their next reprice (for floating rates). Time periods and items of recorded assets, liabilities, off-balance sheet claims and liabilities can be changed by the Holding's Management Board.

The table below summarises the Holding's exposure to interest rate risks. The table presents the aggregated amounts of the Holding's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Non-interest bearing**	**Total**
31 December 2016							
Total financial assets	760,585,549	445,324,011	342,683,191	2,081,150,855	61,088,302	153,573,979	3,844,405,887
Total financial liabilities	(320,511,087)	(301,863,425)	(50,874,467)	(2,017,375,189)	-	(72,956,120)	(2,763,580,288)
Net interest sensitivity gap at 31 December 2016	**440,074,462**	**143,460,586**	**291,808,724**	**63,775,666**	**61,088,302**	**80,617,859**	**1,080,825,599**
31 December 2015							
Total financial assets	546,097,053	113,864,935	190,456,140	2,063,152,635	64,441,139	299,132,936	3,277,144,838
Total financial liabilities	(352,327,092)	(104,345,842)	(67,189,448)	(1,812,774,816)	-	(28,170,359)	(2,364,807,557)
Net interest sensitivity gap at 31 December 2015	**193,769,961**	**9,519,093**	**123,266,692**	**250,377,819**	**64,441,139**	**270,962,577**	**912,337,281**

35 Financial risk management (continued)

All of the Holding's debt instruments reprice within 1 year on the average, excluding financial instruments with fixed interest rate.

Sensitivity analysis of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) performed based on the conventional scenario of parallel shift in yield curve by 100 basis points upward or downward the interest rates and restated positions on interest-bearing assets and liabilities effective as of 31 December 2016 and 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	2016	2015
Parallel increase by 100 basis points (2015: 100 basis points)	4,770,465	1,786,045
Parallel decrease by 100 basis points (2015: 100 basis points)	(4,770,465)	(1,786,045)

The Holding monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2016			2015		
	Tenge	US Dollar	Other	Tenge	US Dollar	Other
Assets						
Cash and cash equivalents	9.89%	0.18%	2.00%	25.51%	0.01%	2.00%
Debt financial instruments at fair value through profit or loss	4.16%	-	-	4.33%	-	-
Due from banks	7.62%	4.89%	0.06%	8.99%	5.29%	-
Loans to customers	7.53%	6.10%	6.21%	7.67%	6.43%	6.48%
Debt investment securities available for sale	8.11%	4.11%	3.60%	7.02%	7.74%	3.72%
Finance lease receivables	4.51%	-	-	5.28%	-	-
Liabilities						
Customer accounts	1.91%	-	-	1.96%	-	-
Debt securities issued	10.10%	5.17%	5.78%	7.38%	5.17%	5.78%
Subordinated debt	9.08%	-	-	9.07%	-	-
Loans from banks and other financial institutions	3.89%	4.67%	4.40%	3.70%	3.56%	3.25%
Loans from the Government of the Republic of Kazakhstan	0.72%	-	-	1.28%	-	-

The Holding is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower a right to repay the loans earlier. The Holding's current year financial result and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2015: no material impact).

35 Financial risk management (continued)

Liquidity risk. Liquidity risk is the risk that the Holding and its subsidiaries will encounter difficulty in attracting funds in order to discharge its liabilities. The liquidity risk arises when assets and liabilities maturities do not match which affects the Holding's and its subsidiaries availability of adequate liquid funds at acceptable price so that to incur its balance sheet and off-balance sheet liabilities in a timely manner. Matching and/or controlled mismatching of maturities and interest rates on assets and liabilities is a fundamental factor of management of the financial institutions, including the Holding. Due to variety of transactions under execution and related uncertainty, absolute maturity matching for assets and liabilities is not observed in the normal practice of financial institutions which allows increasing transaction profitability, however, increases the risk of loss.

The Holding and its subsidiaries manage liquidity risk to maintain cash resources required to discharge all liabilities as they fall due.

The Holding manages liquidity risk within the Risk Management Policy of the Holding, Risk Management Rules for Temporary Available Cash of the Holding, Regulations for Management of Financial Assets and Liabilities approved by the Board of Directors and Management Board. The documents specify the basic processes and procedure of liquidity risk management, and establish functions and authorities of the Holding's business units involved in this process to manage liquidity risk effectively and maintain adequate funds of the Holding to cover all liabilities.

Within the described above documents, liquidity risk is assessed and controlled by the means of the following tools/analysis report: regulatory and contractual liquidity requirements; analysis of current liquidity balances, estimated inflows/outflows of liquidity, internal liquidity ratios; liquidity gaps (gap analysis). To avoid excess or deficiency of liquidity, the Committees of Asset and Liability Management of the Holding's subsidiaries control the activities for liquidity raising and use.

The Committees of Asset and Liability Management of the Holding's subsidiaries control liquidity risk by analysing levels of liquidity risk to take measures for mitigation of liquidity risk of the subsidiaries and the Holding. Current liquidity is managed by the Treasury Departments of the subsidiaries which perform transactions at the financial markets to maintain the current liquidity and optimise cash flows.

Procedures for liquidity risk management of the Holding include:

- cash flow forecasting in terms of key currencies and calculation of the related necessary level of liquid assets;
- maintenance of a diversified structure of funding sources;
- management of concentration and borrowings structure;
- development of debt financing plans;
- servicing of highly liquid assets portfolio which can be easily realised as a safeguard measure in case of cash liquidity gap;
- development of contingent plans to maintain liquidity and target level of funding;
- execution of control over conformity of the Holding's balance sheet liquidity ratios with the statutory criteria.

The Treasury Departments of the subsidiaries monitor liquidity at the financial markets. Under normal market conditions, the reports on liquidity situation of the Holding's subsidiaries are regularly provided to the senior management of the Holding. Decisions regarding liquidity management policy of the Holding are made by the Management Board and Committee of Asset and Liability Management of the Holding.

The table below shows liabilities at 31 December 2016 and 2015 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Holding expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

35 Financial risk management (continued)

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	118,667,044	27,305,962	59,801,792	193,357,803	58,051,162	457,183,763
Debt securities issued	6,997,920	107,899,000	49,708,855	263,293,010	1,509,626,341	1,937,525,126
Subordinated debt	-	10,405,743	5,743	45,944	115,295,799	125,753,229
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	40,784,100	18,166,169	57,701,601	939,327,483	412,176,649	1,468,156,002
Other financial liabilities	37,447,191	7,738,810	11,925,583	5,462,745	847,120	63,421,449
Other derivative financial instruments:						
- Claims on derivative financial instruments	-	-	(17,836,800)	(240,970,357)	-	(258,807,157)
- Liabilities from derivative financial instruments	-	-	25,361,319	159,847,990	-	185,209,309
Total potential future payments for financial liabilities	**203,896,255**	**171,515,684**	**186,668,093**	**1,320,364,618**	**2,095,997,071**	**3,978,441,721**
Irrevocable loan commitments	126,696,989	31,881,638	29,441,620	-	-	187,770,247
Guarantees, letters of credit and other liabilities related to settlement operations	90,499,184	-	-	-	-	90,499,184
Contingent capital commitments	49,771,751	-	-	-	-	49,771,751
Contingent commitments on innovation grants allocation	9,847,812	-	-	-	-	9,847,812

The maturity analysis of financial liabilities at 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	87,154,746	24,769,849	26,433,679	152,093,958	33,049,891	323,502,123
Debt securities issued	772,253	28,075,881	14,694,799	211,972,241	1,168,565,403	1,424,080,577
Subordinated debt	-	580,430	581,993	11,855,944	21,492,077	34,510,444
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	37,689,790	21,247,267	84,865,084	917,286,483	375,876,991	1,436,965,615
Other financial liabilities	22,930,049	609,668	7,490,262	1,962,990	1,939,293	34,932,262
Other derivative financial instruments:						
- Claims on derivative financial instruments	-	-	-	(264,821,264)	-	(264,821,264)
- Liabilities from derivative financial instruments	-	-	-	185,870,688	-	185,870,688
Total potential future payments for financial liabilities	**148,546,838**	**75,283,095**	**134,065,817**	**1,216,221,040**	**1,600,923,655**	**3,175,040,445**
Irrevocable loan commitments	149,770,232	26,787,765	19,796,086	-	-	196,354,083
Guarantees, letters of credit and other liabilities related to settlement operations	87,487,257	-	-	-	-	87,487,257
Contingent capital commitments	59,659,245	-	-	- -		59,659,245
Contingent commitments on innovation grants allocation	10,444,717-	-	-	- -		10,444,717

35 Financial risk management (continued)

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Kazakhstani legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest.

These deposits are classified in accordance with their stated maturity dates.

In the judgement of the Holding management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the effective management of the Holding.

The following table provides an analysis, by expected maturities, of amounts recognised in the consolidated statement of financial position as at 31 December 2016 and 2015.

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
31 December 2016							
Total assets	674,741,553	102,854,781	567,424,056	865,966,353	1,791,875,998	100,334,331	4,103,197,072
Total liabilities	(143,626,197)	(41,378,484)	(203,011,627)	(854,906,053)	(1,916,878,081)	-	(3,159,800,442)
Net position as at 31 December 2016	**531,115,356**	**61,476,297**	**364,412,429**	**11,060,300**	**(125,002,083)**	**100,334,331**	**943,396,630**
31 December 2015							
Total assets	524,912,419	79,394,754	269,895,676	903,891,147	1,590,853,811	91,377,747	3,460,325,554
Total liabilities	(151,689,481)	(45,252,883)	(96,735,273)	(799,767,785)	(1,503,881,859)	-	(2,597,327,281)
Net position as at 31 December 2015	**373,222,938**	**34,141,871**	**173,160,403**	**104,123,362**	**86,971,952**	**91,377,747**	**862,998,273**

Management of capital. The Holding’s objectives when managing capital are to safeguard the Holding’s ability to continue as a going concern, by meeting the capital adequacy requirements based on monitoring of the consolidated financial statements, including monitoring of the subsidiaries and established control requirements to capital adequacy on the part of the Board of Directors of the controlled entities, Financial Supervision Committee, National Bank of the Republic of Kazakhstan, investors.

Compliance with capital adequacy ratios set for the subsidiaries is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman of the Management Board and considered by the Holding’s Board of Directors.

The Holding treats the capital as net assets attributable to the Holding owners, which amount to Tenge 942,573,947 thousand (31 December 2015: Tenge 858,609,189 thousand). The Holding is not subject to regulatory capital requirements.

During 2016 and 2015 the Holding’s subsidiaries complied with all externally imposed capital adequacy ratios by exceeding the minimum requirements.

36 Contingencies

Legal proceedings. From time to time and in the normal course of business, claims against the Holding and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management of the Holding is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these consolidated financial statements.

Tax 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 Kazakhstan that are more significant than in other countries. Management of the Holding believes that it has provided adequately for tax liabilities based on its interpretations of applicable 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.

Operating lease commitments. The Holding has a range of buildings and vehicles under operating lease. Lease is mainly executed for the initial period of one year with the option to renew upon expiry of the said period. Lease payments are usually increased annually to reflect market terms of lease. Lease does not include contingent lease.

Investment related contingencies. The Holding purchases private equity funds liabilities to include in its portfolio. The Holding diversifies the investment portfolio by distributing investments among managers, relevant industries, territories and investment stages. As of 31 December 2016 the contingent capital commitments totalled Tenge 49,771,751 thousand (31 December 2015: Tenge 59,659,245 thousand). Under the constituent agreements of private equity funds, in case of default on capital commitments, after the manager issued a due claim, the Holding may be subject to sanctions, including moratorium on interest, cessation of profit distribution, temporary denial of right to participate in the corporate governance of the funds and forced sale of the Holding's share to co-investors and third parties. As of December 2016 and 2015 the Holding did not have overdue investment commitments.

Compliance with covenants. The subsidiaries of the Holding are subject to certain covenants primarily relating to their borrowings. Non-compliance with these covenants may result in negative consequences for the Holding. The Holding was in compliance with covenants at 31 December 2016 and 31 December 2015.

Contractual obligations. As at 31 December 2016 and 2015 BD JSC has commitments to transfer property to the participants in shared construction of the first and second stages of Tau Samal residential complex. At 31 December 2016 the property transferable after completion of construction comprises 2 apartments and 5 parking places (31 December 2015: 6 apartments and 23 parking places).

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 Holding 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 its property or related to operations. Until the Holding 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 consolidated financial position of the Holding.

36 Contingencies (continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Holding will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Holding on behalf of a customer authorising a third party to draw drafts on the Holding up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Holding is potentially exposed to loss in the amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Holding monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

(In thousands of Kazakhstani Tenge)	**31 December 2016**	**31 December 2015**
Commitments to extend credit that are irrevocable or revocable only in response to a material adverse change	27,866,698	25,758,557
Undrawn credit lines that are irrevocable or revocable only in response to a material adverse change	159,903,549	170,595,526
Letters of credit	4,025,616	14,763,933
Financial guarantees issued	88,012,997	74,564,860
Contingent commitments on innovation grants allocation	9,847,812	10,444,717
Total credit related commitments less provision	**289,656,672**	**296,127,593**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was Tenge 15,726,923 thousand at 31 December 2016 (31 December 2015: Tenge 7,635,889 thousand). Credit related commitments are denominated in Tenge.

37 Offsetting financial assets and financial liabilities

The Holding has master netting arrangements of the International Swap and Derivatives Association ("ISDA"), and similar master netting agreements that do not meet offsetting criteria in the consolidated statement of financial position. The reason is that they create the right to offset recognised amounts that is legally effective only in case of default, insolvency, or bankruptcy of the Holding and its counteragents. In addition, the Holding and its counteragents do not intend to settle debt through offsetting or sell an asset and perform liability simultaneously.

37 Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to enforceable master netting and similar arrangements are as follows at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Gross amounts before offsetting in the consolidated statement of financial position (a)	Gross amounts set off in the consolidated statement of financial position (b)	Net amount after offsetting in the consolidated statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments (d)	Cash collateral received (f)	Net amount of exposure (c) - (d) + (f)
ASSETS						
Cash and cash equivalents						
- Receivables under reverse repurchase agreements	39,546,142	-	39,546,142	(39,546,142)	-	-
Loans to customers	11,783,546	-	11,783,546	-	(122,516)	11,661,030
Derivative financial instruments	403,160	-	403,160	(403,160)	-	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**51,732,848**	**-**	**51,732,848**	**(39,949,302)**	**(122,516)**	**11,661,030**
LIABILITIES						
Customer accounts	122,516	-	122,516	(122,516)	-	-
Derivative financial instruments	8,394,731	-	8,394,731	(403,160)	-	7,991,571
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**8,517,247**	**-**	**8,517,247**	**(525,676)**	**-**	**7,991,571**

37 Offsetting financial assets and financial liabilities (continued)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

(In thousands of Kazakhstani Tenge)	Gross amounts before offsetting in the consolidated statement of financial position (a)	Gross amounts set off in the consolidated statement of financial position (b)	Net amount after offsetting in the consolidated statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Cash collateral received (f)	Net amount of exposure (c) - (d) + (f)
ASSETS						
Cash and cash equivalents						
- Receivables under reverse repurchase agreements	30,385,675	-	30,385,675	(30,385,675)	-	-
Loans to customers	14,910,623	-	14,910,623	-	(577,809)	14,332,814
Derivative financial instruments	451,669	-	451,669	(451,669)	-	-
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**45,747,967**	**-**	**45,747,967**	**(30,837,344)**	**(577,809)**	**14,332,814**
LIABILITIES						
Customer accounts	577,809	-	577,809	(577,809)	-	-
Derivative financial instruments	8,634,027	-	8,634,027	(451,669)	-	8,182,358
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**9,211,836**	**-**	**9,211,836**	**(1,029,478)**	**-**	**8,182,358**

The amount set off in the consolidated statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (f) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

38 Derivative financial instruments

The fair value of trade and other receivables or payables under foreign exchange forward contracts or swap contracts signed by the Holding, at the end of the reporting period by currency are presented in the table below. The table includes contracts with settlement dates after the end of the reporting period; the sums of these transactions are shown deployed - before netting of positions (and payments) for each counterparty. The contracts are short term in nature.

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2016						
Currency interest rate swap (hedging instrument)	Malaysian ringgit 240,000,000	03.08.17	Fixed 4.95% per annum and USD 76,093,849 thousand at maturity	Fixed 5.50% per annum and MYR 240,000,000 at maturity	403,160	(8,394,731)
Currency interest rate swap	US dollars 322,927,879	28.04.18	Fixed 3.00% per annum and KZT 60,000,000 thousand at maturity	USD 322,927,879 at maturity	50,905,329	-
Currency interest rate swap	Malaysian ringgit 30,370,000	03.08.17	Fixed 5.50% per annum and MYR 30,370,000 at maturity	Fixed 6.50% per annum and KZT 1,492,200 thousand at maturity	-	(845,002)
Options	KZT 5,019,118 thousand	15.06.18	-	KZT 5,019,118 thousand at maturity	16,484	-
Currency swap	US dollars 122,000,000	29.09.19	Fixed 3.00% per annum and KZT 22,222,300 thousand at maturity	USD 122,000 thousand at maturity	20,293,750	-
Currency swap	US dollars 3,600,000	14.08.20	Fixed 3.00% per annum and KZT 75,368,592 thousand at maturity	USD 273,600 thousand at maturity	20,600,008	-
Net fair value					**92,218,731**	**(9,239,733)**

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2015						
Currency interest rate swap (hedging instrument)	Malaysian ringgit 240,000,000	03.08.17	Fixed 4.95% per annum and USD 76,093,849 thousand at maturity	Fixed 5.50% per annum and MYR 240,000,000 at maturity	429,958	(8,600,369)
Currency interest rate swap	US dollars 322,927,879	28.04.18	Fixed 3.00% per annum and KZT 60,000,000 thousand at maturity	USD 322,927,879 at maturity	51,874,915	-
Currency interest rate swap	Malaysian ringgit 30,370,000	03.08.17	Fixed 5.50% per annum and MYR 30,370,000 at maturity	Fixed 6.50% per annum and KZT 1,492,200 thousand at maturity	-	(1,022,405)
Options	KZT 5,019,118 thousand	15.06.18	-	KZT 5,019,118 thousand at maturity	21,711	(33,659)
Currency swap	US dollars 122,000,000	29.09.19	Fixed 3.00% per annum and KZT 22,222,300 thousand at maturity	USD 122,000 thousand at maturity	22,206,212	-
Currency swap	US dollars 273,600,000	14.08.20	Fixed 3.00% per annum and KZT 75,368,592 thousand at maturity	USD 273,600 thousand at maturity	23,768,739	-
Net fair value					**98,301,535**	**(9,656,433)**

Foreign exchange and other derivative financial instruments entered into by the Holding are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly over time.

39 Fair value

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments estimated based on active market quotations of similar instruments, market quotations for identical or similar instruments that are not considered as active, or other valuation techniques which inputs are directly or indirectly based on observable market data; and
- level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 **measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.**

Recurring fair value measurements. Recurring fair value measurements are those that other IFRS require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2016				31 December 2015			
(In thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Financial instruments at fair value through profit or loss	6,069,581	2,683,774	64,123,485	72,876,840	6,322,142	2,211,281	60,358,607	68,892,030
Investment securities available for sale	137,852,920	394,388,022	-	532,240,942	35,701,869	333,301,295	332,899	369,336,063
Embedded derivative	-	-	2,804,925	2,804,925	-	-	3,826,180	3,826,180
Derivative financial instruments	-	41,313,402	50,905,329	92,218,731	-	46,426,620	51,874,915	98,301,535
TOTAL ASSETS AT FAIR VALUE	**143,922,501**	**438,385,198**	**117,833,739**	**700,141,438**	**42,024,011**	**381,939,196**	**116,392,601**	**540,355,808**
LIABILITIES AT FAIR VALUE								
Derivative financial instruments	-	9,239,733	-	9,239,733	-	9,656,433	-	9,656,433
TOTAL LIABILITIES AT FAIR VALUE	**-**	**9,239,733**	**-**	**9,239,733**	**-**	**9,656,433**	**-**	**9,656,433**

39 Fair value (continued)

Level 2 measurements. Level 2 includes investment securities available for sale which fair value was determined based on valuation techniques that apply inputs from observable markets. Observable inputs include transaction prices at markets which are active for similar, but not identical instruments, and prices at markets which are not active for identical instruments. Although all instruments are listed at the Kazakhstan Stock Exchange, management believes that market for identical instruments is not active.

The Holding applies the discounted cash flow method for impaired investment securities available for sale and financial instruments at fair value through profit or loss for which fair value cannot be determined based on inputs from observable markets.

For impaired debt securities, forecasts of estimated cash flows were based on the publicly available information related to the estimated repayment schedule after the restructuring for each respective category of securities. Assumptions in relation to discount rates were based on credit risk premiums of similar issuers that were understood as market quotations of securities in issue which trading has not been suspended.

There were no changes in valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2016 (2015: none).

Level 3 measurements. Certain investment securities available for sale that are not quoted at the observable markets and cannot be measured based on inputs from observables market were estimated using the discounted cash flow method. Forecasts for such securities were calculated based on the contractual repayment schedule. Assumptions in relation to discount rates were based on active market quotations for identical instruments of the issuer subject to respective adjustment of credit rating for credit rating difference.

The Holding's investments in equity investments categorised as level 3 comprise holdings in investment funds. These funds invest primarily in private equity through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly the Republic of Kazakhstan and Russia). To determine fair value of investments in these funds, the Holding engaged an independent appraiser for the year ended 31 December 2015. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Holding's share of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

A number of valuation techniques were used by the appraiser to value the underlying portfolio investments, depending on the nature of the business concerned, the availability of market comparables, and the stage in the business's life cycle.

The control system implemented by the Holding includes preparation of fair value measurement by responsible front-office specialists of the subsidiaries and subsequent review by the executive of the relevant department. Special control mechanisms implemented by the Holding include:

- observable quotations review;
- overview and approval of new models and amendments to models;
- review and approval of new models and amendments to models with participation of the executive of the relevant front-office;
- overview of significant unobservable inputs, measurement adjustments and significant changes in fair value measurement of Level 3 instruments as compared with the prior period.

39 Fair value (continued)

The table below provides information on significant unobservable inputs used at the year-end to value the most significant companies included in the portfolio of private equity funds categorised into Level 3 of the fair value hierarchy as at 31 December 2016, in addition to sensitivity analysis to changes in unobservable data, which the Holding thinks reasonably possible at the reporting date, assuming that all other variables remain unchanged.

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity analysis of fair value to unobservable inputs
Power industry	13,361,675	Cost method	Adjustment to NAV	+/- 5%	668,084
	4,857,127	Income method	Discounted cash flows	+/- 5%	242,856
	2,297,411	Cost method	Adjustment to NAV	+/- 5%	114,871
	2,084,721	Cost method	Adjustment to NAV	+/- 5%	104,236
	189,049	Cost method	Adjustment to NAV	+/- 5%	9,452
Unconventional energy	61,977	Cost method	Adjustment to NAV	+/- 5%	3,099
	52,232	Cost method	Adjustment to NAV	+/- 5%	2,612
	21,196	Cost method	Adjustment to NAV	+/- 5%	1,060
Transportation and logistics	2,896,954	Income method	Discounted cash flows	+/- 5%	144,848
	1,669,419	Cost method	Adjustment to NAV	+/- 5%	83,471
	1,039,013	Cost method	Adjustment to NAV	+/- 5%	51,951
	977,290	Cost method	Adjustment to NAV	+/- 5%	48,865
	928,863	Cost method	Adjustment to NAV	+/- 5%	46,443
	255,603	Cost method	Adjustment to NAV	+/- 5%	12,780
Manufacturing	833,223	Cost method	Adjustment to NAV	+/- 5%	41,661
Processing industry	4,306,429	Income method	Discounted cash flows	+/- 5%	215,321
	3,248,884	Income method	Discounted cash flows	+/- 5%	162,444
	900,783	Cost method	Adjustment to NAV	+/- 5%	45,039
	900,721	Cost method	Adjustment to NAV	+/- 5%	45,036
	888,388	Cost method	Adjustment to NAV	+/- 5%	44,419

39 Fair value (continued)

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity analysis of fair value to unobservable inputs
Natural resources	3,193,575	Income method	Discounted cash flows	+/- 5%	159,679
Medical diagnostics	1,780,893	Cost method	Adjustment to NAV	+/- 5%	89,045
	956,876	Income method	Discounted cash flows	+/- 5%	47,844
	461,940	Comparative method	EBITDA/(multiple)	+/- 5%	23,097
Agriculture	1,649,786	Cost method	Adjustment to NAV	+/- 5%	82,489
	420,572	Cost method	Adjustment to NAV	+/- 5%	21,029
Property management and construction materials	1,786,161	Cost method	Adjustment to NAV	+/- 5%	89,308
	179,040	Cost method	Adjustment to NAV	+/- 5%	8,952
Light industry	139,803	Cost method	Adjustment to NAV	+/- 5%	6,990
Chemical industry	80,683	Comparative method	EBITDA/(multiple)	+/- 5%	4,034
Electrical engineering	80,683	Comparative method	EBITDA/(multiple)	+/- 5%	4,034
Financial services	568,411	Cost method	Adjustment to NAV	+/- 5%	28,421
	242,947	Cost method	Adjustment to NAV	+/- 5%	12,147
Production and sale of cars	853,366	Cost method	Adjustment to NAV	+/- 5%	42,668
Entertainment industry	713,152	Cost method	Adjustment to NAV	+/- 5%	35,658
	525,389	Cost method	Adjustment to NAV	+/- 5%	26,269
	478,438	Cost method	Adjustment to NAV	+/- 5%	23,922
	197,974	Cost method	Adjustment to NAV	+/- 5%	9,899
Telecommunication services	413,985	Cost method	Adjustment to NAV	+/- 5%	20,699
	78,939	Comparative method	EBITDA/ (multiple)	+/- 5%	3,947
Technology	1,878,406	Cost method	Adjustment to NAV	+/- 5%	93,921
Other	5,671,508	-	-	-	-
Total	**64,123,485**				

39 Fair value (continued)

The valuation technique and inputs used in the fair value measurement for level 3 measurements of other financial assets at fair value through profit or loss and related sensitivity to reasonably possible changes in those inputs as at 31 December 2015 are as follows:

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity analysis of fair value to unobservable inputs
Power industry	10,200,300	Cost method	Adjustment to NAV	+/- 5%	510,015
	5,216,349	Income method	Discounted cash flows	+/- 5%	260,817
	2,019,071	Cost method	Adjustment to NAV	+/- 5%	100,954
	1,349,296	Cost method	Adjustment to NAV	+/- 5%	67,465
	156,945	Comparative method	EBITDA/(multiple)	+/- 5%	7,847
	53,010	Cost method	Adjustment to NAV	+/- 5%	2,651
	37,545	Cost method	Adjustment to NAV	+/- 5%	1,877
	23,680	Cost method	Adjustment to NAV	+/- 5%	1,184
Transportation and logistics	4,417,940	Cost method	Adjustment to NAV	+/- 5%	220,897
	1,838,416	Income method	Discounted cash flows	+/- 5%	91,921
	1,725,301	Comparative method	EBITDA/ (multiple)	+/- 5%	86,265
	1,623,576	Cost method	Adjustment to NAV	+/- 5%	81,179
	1,398,608	Comparative method	EBITDA/ (multiple)	+/- 5%	69,930
	1,342,972	Cost method	Adjustment to NAV	+/- 5%	67,149
	1,178,054	Cost method	Adjustment to NAV	+/- 5%	58,903
	219,829	Income method	Discounted cash flows	+/- 5%	10,991
Manufacturing	3,808,763	Income method	Discounted cash flows	+/- 5%	190,438
	900,721	Cost method	Adjustment to NAV	+/- 5%	45,036
	417,104	Cost method	Adjustment to NAV	+/- 5%	20,855
	236,460	Cost method	Adjustment to NAV	+/- 5%	11,823
Natural resources	3,311,968	Income method	Discounted cash flows	+/- 5%	165,598
Information technology	2,531,441	Cost method	Adjustment to NAV	+/- 5%	126,572

39 Fair value (continued)

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable inputs	Reasonable change	Sensitivity analysis of fair value to unobservable inputs
Medical diagnostics	1,701,918	Income method	Discounted cash flows	+/- 5%	85,096
	790,043	Comparative method	EBITDA/ (multiple)	+/- 5%	39,502
	339,490	Cost method	Adjustment to NAV	+/- 5%	16,975
Agriculture	1,683,050	Cost method	Adjustment to NAV	+/- 5%	84,153
	373,152	Comparative method	EBITDA/ (multiple)	+/- 5%	18,658
Property management and construction materials	1,841,602	Income method	Discounted cash flows	+/- 5%	92,080
	23,519	Cost method	Adjustment to NAV	+/- 5%	1,176
Light industry	1,277,512	Cost method	Adjustment to NAV	+/- 5%	63,876
	150,169	Cost method	Adjustment to NAV	+/- 5%	7,508
Financial services	465,235	Cost method	Adjustment to NAV	+/- 5%	23,262
	319,072	Cost method	Adjustment to NAV	+/- 5%	15,954
	311,245	Cost method	Adjustment to NAV	+/- 5%	15,562
	254,725	Cost method	Adjustment to NAV	+/- 5%	12,736
Production and sale of cars	1,056,800	Income method	Discounted cash flows	+/- 5%	52,840
Entertainment industry	638,495	Cost method	Adjustment to NAV	+/- 5%	31,925
	305,881	Cost method	Adjustment to NAV	+/- 5%	15,294
	121,667	Cost method	Adjustment to NAV	+/- 5%	6,083
Health care	1,036,107	Cost method	Adjustment to NAV	+/- 5%	51,805
Telecommunication services	631,529	Cost method	Adjustment to NAV	+/- 5%	31,576
	219,539	Comparative method	EBITDA/ (multiple)	+/- 5%	10,977
Renewable energy	466,884	Cost method	Adjustment to NAV	+/- 5%	23,344
Other	2,343,624				
Total	**60,358,607**				

39 Fair value (continued)

The valuation technique and inputs used in the fair value measurement for level 3 measurements of investment securities available for sale and embedded instrument and related sensitivity to reasonably possible changes in those inputs as at 31 December 2016 are as follows:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Embedded derivative	2,804,925	Option model	Volatility of foreign exchange rate	USD: 5.36%	Significant increase in volatility would result in higher fair value
Financial derivatives	50,905,329	Discounted cash flows	Early repayment option	From 0 to 19 months	Significant increase in the term of transaction would result in lower fair value. A significant reduction would result in higher fair value.

The valuation technique and inputs used in the fair value measurement for level 3 measurements of investment securities available for sale and embedded instrument and related sensitivity to reasonably possible changes in those inputs as at 31 December 2015 are as follows:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Embedded derivative	3,826,180	Option model	Volatility of foreign exchange rate	USD: 15.35%	Significant increase in volatility would result in higher fair value
Financial derivatives	51,874,915	Discounted cash flows	Early repayment option	From 0 to 28 months	Significant increase in the term of transaction would result in lower fair value. A significant reduction would result in higher fair value.
Investment securities available for sale	332,899	Discounted cash flows	Expected cash flows	Not applicable	Significant change of expected cash flows would result in higher fair value

The above tables discloses sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result.

39 Fair value (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2016 is as follows:

(In thousands of Kazakhstani Tenge)	**Financial instruments at fair value through profit or loss**	**Investment securities available for sale**	**Embedded derivatives**	**Financial derivatives**
Fair value as at 1 January 2016	**60,358,607**	**332,899**	**3,826,180**	**51,874,915**
Gains or losses recognised in profit or loss for the year	3,535,032	(217,128)	(992,124)	(2,370,545)
Gains or losses recognised in other comprehensive income	-	(115,771)	-	-
Initial recognition of fair value	-	-	-	(1,800,000)
Purchases, net	818,539	-	-	-
Sales	-	-	(29,131)	-
Interest paid/(received)	(588,693)	-	-	3,200,959
Fair value at 31 December 2016	**64,123,485**	**-**	**2,804,925**	**50,905,329**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2015 is as follows:

(In thousands of Kazakhstani Tenge)	**Financial instruments at fair value through profit or loss**	**Investment securities available for sale**	**Embedded derivatives**	**Financial derivatives**
Fair value as at 1 January 2015	**26,236,605**	**217,128**	**440,019**	-
Gains or losses recognised in profit or loss for the year	5,367,559	-	39,661	46,989,405
Gains or losses recognised in other comprehensive income	-	115,771	-	-
Purchases, net	28,754,443	-	3,458,105	3,085,510
Interest paid/(received)	-	-	(111,605)	1,800,000
Fair value at 31 December 2015	**60,358,607**	**332,899**	**3,826,180**	**51,874,915**

39 Fair value (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2016 are as follows:

(In thousands of Kazakhstani Tenge)	Level 1	Level 2	Level 3	Total	Carrying amount
ASSETS					
Cash and cash equivalents	-	451,512,099	-	451,512,099	451,512,099
Due from banks	-	685,507,674	29,850,161	715,357,835	743,047,601
Loans to customers	-	1,568,576,240	112,858,614	1,681,434,854	1,775,388,385
Finance lease receivables (less embedded derivatives)	-	86,950,303	37,701,149	124,651,452	152,798,112
TOTAL	**-**	**2,792,546,316**	**180,409,924**	**2,972,956,240**	**3,122,746,197**
LIABILITIES					
Customer accounts	-	424,985,373	18,859,667	443,845,040	444,992,956
Debt securities issued	424,527,416	537,411,862	-	961,939,278	1,026,320,825
Subordinated debt	-	13,576,462	-	13,576,462	15,165,538
Loans from banks and other financial institutions	-	1,113,512,213	-	1,113,512,213	1,101,456,557
Loans from the Government of the Republic of Kazakhstan	-	97,332,002	-	97,332,002	103,624,332
TOTAL	**424,527,416**	**2,186,817,912**	**18,859,667**	**2,630,204,995**	**2,691,560,208**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2015 are as follows:

(In thousands of Kazakhstani Tenge)	Level 1	Level 2	Level 3	Total	Carrying amount
ASSETS					
Cash and cash equivalents	-	376,224,818	-	376,224,818	376,224,818
Due from banks	-	513,098,134	22,142,490	535,240,624	544,991,946
Loans to customers	-	1,603,589,542	118,233,846	1,721,823,388	1,733,170,866
Finance lease receivables (less embedded derivatives)	-	60,955,463	-	60,955,463	58,682,745
TOTAL	**-**	**2,553,867,957**	**140,376,336**	**2,694,244,293**	**2,713,070,375**
LIABILITIES					
Customer accounts	-	314,423,007	-	314,423,007	314,423,007
Debt securities issued	534,367,883	230,817,398	-	765,185,281	800,446,305
Subordinated debt	-	23,433,407	-	23,433,407	14,652,856
Loans from banks and other financial institutions	-	1,132,372,426	-	1,132,372,426	1,138,032,857
Loans from the Government of the Republic of Kazakhstan	-	45,403,896	-	45,403,896	54,381,837
TOTAL	**534,367,883**	**1,746,450,134**	**-**	**2,280,818,017**	**2,321,936,862**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate derivative financial instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

40 Presentation of financial instruments by measurement category

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement,* the Holding classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category.

As at 31 December 2016 and 2015 all financial liabilities of the Holding, other than derivatives, are carried at amortised cost. Derivative financial instruments are designated at fair value through profit or loss.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2016:

(In thousands of Kazakhstani Tenge)	**Loans and receivables**	**Available for sale assets**	**Trading assets**	**Derivative financial instruments**	**Assets designated at fair value through profit or loss**	**Finance lease receivables**	**Total**
ASSETS							
Cash and cash equivalents	451,512,099	-	-	-	-	-	451,512,099
Financial instruments at fair value through profit or loss	-	-	2,683,774	92,218,731	70,193,066	-	165,095,571
Due from banks	743,047,601	-	-	-	-	-	743,047,601
Loans to customers	1,775,388,385	-	-	-	-	-	1,775,388,385
Investment securities available for sale	-	532,243,117	-	-	-	-	532,243,117
Finance lease receivables	-	-	-	-	-	155,603,037	155,603,037
Other financial assets	21,516,077	-	-	-	-	-	21,516,077
TOTAL FINANCIAL ASSETS	**2,991,464,162**	**532,243,117**	**2,683,774**	**92,218,731**	**70,193,066**	**155,603,037**	**3,844,405,887**

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2015:

(In thousands of Kazakhstani Tenge)	**Loans and receivables**	**Available for sale assets**	**Trading assets**	**Derivative financial instruments**	**Assets designated at fair value through profit or loss**	**Finance lease receivables**	**Total**
ASSETS							
Cash and cash equivalents	376,224,818	-	-	-	-	-	376,224,818
Financial instruments at fair value through profit or loss	-	-	2,211,281	98,301,535	66,680,749	-	167,193,565
Due from banks	544,991,946	-	-	-	-	-	544,991,946
Loans to customers	1,733,170,866	-	-	-	-	-	1,733,170,866
Investment securities available for sale	-	369,338,324	-	-	-	-	369,338,324
Finance lease receivables	-	-	-	-	-	62,508,925	62,508,925
Other financial assets	23,716,394	-	-	-	-	-	23,716,394
TOTAL FINANCIAL ASSETS	**2,678,104,024**	**369,338,324**	**2,211,281**	**98,301,535**	**66,680,749**	**62,508,925**	**3,277,144,838**

41 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Government of the Republic of Kazakhstan has significant control over the Holding as the Government of the Republic of Kazakhstan is an ultimate controlling party of the Holding.

The Holding decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state-owned entities.

At 31 December 2016, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
ASSETS			
Cash and cash equivalents	322,382	-	127,360,033
Financial instruments at fair value through profit or loss	2,352,106	-	55,845,893
Loans to customers	322,382	-	127,360,033
Investment securities available for sale	257,148,005	-	217,825,952
Finance lease receivables	-	-	847,828
Investment in associates and subsidiaries	-	1,926,576	-
Current income tax prepayment	-	-	19,677,752
Deferred income tax asset	-	-	4,813,645
Non-current assets held for sale	-	259,342	65,379
Other financial and non-financial assets	-	-	7,397,838
LIABILITIES			
Customer accounts	-	-	29,507,972
Debt securities issued	-	-	295,242,958
Subordinated debt	-	-	8,409,475
Loans from banks and other financial institutions	-	-	79,400,374
Loans from Government of the Republic of Kazakhstan	103,624,332	-	-
Current income tax liability	-	-	5,199
Deferred income tax liability	-	-	26,160,281
Other financial and non-financial liabilities	11,218,234	-	339,787,537
Credit related commitments (undrawn credit lines)	-	-	17,115,775

The income and expense items with related parties for 2016 were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
Interest income	9,011,295	-	68,200,606
Interest expense	(1,851,160)	-	(22,368,176)
Fee and commission income	-	-	63,677
Fee and commission expense	-	-	(1,199)
Net foreign exchange translation gain	-	-	83,036,860
Net loss from financial assets at fair value through profit or loss	(15,484)	-	(1,131,415)
Other operating income	78,157,983	-	208,912,027
Administrative and other operating expenses	-	-	(1,887,253)
Share of financial result of associates and joint ventures	-	901,125	-
Income tax expense	-	-	(10,093,874)

41 Related party transactions (continued)

At 31 December 2015, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	Ultimate parent organisation	Associates and joint ventures	Transactions with state owned entities
ASSETS			
Cash and cash equivalents	-	-	166,130,223
Financial instruments at fair value through profit or loss	3,154,319	211,442	56,136,036
Due from banks	-	-	7,341,606
Loans to customers	-	-	753,253,780
Investment securities available for sale	124,308,003	-	119,019,239
Finance lease receivables	-	-	1,171,400
Investment in associates and subsidiaries	-	2,078,760	-
Current income tax prepayment	-	-	16,043,192
Deferred income tax asset	-	-	4,960,948
Non-current assets held for sale	-	259,228	26,675
Other financial and non-financial assets	-	-	13,456,900
LIABILITIES			
Customer accounts	-	-	12,015,030
Debt securities issued	-	-	222,041,992
Subordinated debt	-	-	8,010,301
Loans from banks and other financial institutions	-	-	77,360,333
Loans from Government of the Republic of Kazakhstan	54,381,837	-	-
Current income tax liability	-	-	613,748
Deferred income tax liability	-	-	26,032,406
Other financial and non-financial liabilities	12,415,699	-	150,042,307

The income and expense items with related parties for 2015 were as follows:

(In thousands of Kazakhstani Tenge)	Ultimate parent organisation	Associates and joint ventures	Transactions with state owned entities
Interest income	6,452,528	-	43,301,104
Interest expense	(1,118,822)	-	(18,185,201)
Fee and commission income	935,518	-	129,463
Fee and commission expense	-	-	(3,231)
Gains less losses on derivative financial instruments	-	-	1,011,214
Net foreign exchange translation gain	-	-	329,171,486
Net gain/(loss) from financial assets at fair value through profit or loss	-	(218,967)	46,159,315
Other operating income	-	-	224,718,374
Administrative and other operating expenses	-	-	(2,487,123)
Share of financial result of associates and joint ventures	-	(26,038)	-
Income tax expense	-	-	(27,024,426)

Key management compensation is presented below:

(In thousands of Kazakhstani Tenge)	2016	2015
Members of the Board of Directors and Management Board, Executive Directors	2,262,133	1,377,508
Total	**2,262,133**	**1,377,508**

Short-term bonuses fall due in full within twelve months after the end of the period in which management rendered the related services.

42 Subsequent events

In March 2017 the Holding received a cash contribution of KZT 13,900,000 thousand to its share capital for subsequent contribution to the share capital of its subsidiary – KEG JSC – in the amount of KZT 13,900,000 thousand to support the domestic exporters.

In March 2017, in accordance with the Law of the Republic of Kazakhstan "On the National Budget for 2017-2019", the Holding received a loan of 17,500,000 thousand at the expense of the national budget funds to provide the long-term lease financing as a part of the Unified Program for Business Support and Development "Business Roadmap 2020"; the loan bears an interest rate of 0.10% per annum and has maturity of 10 years. The borrowed funds have been provided in the form of a loan to the Holding's subsidiary – DBK JSC for a term of 10 years and at the interest rate of 0.15% per annum for the above purposes.

In March 2017 KEG JSC was re-registered due to change of its name into ESK "KazakhExport" JSC.

In April 2017, in accordance with the Law of the Republic of Kazakhstan "On Republican Budget for 2017-2019", the Holding received a loan of Tenge18,600,000 thousand at the interest rate of 0.05% per annum, with maturity of 20 years, from the Republican budget, to finance renewal of the passenger car fleet. The borrowed funds have been provided to the Holding's subsidiary DBK JSC in the form of a loan at the interest rate of 0.08% per annum, with maturity of 20 years, for the above stated purposes.