Baiterek National Managing Holding Joint Stock Company

International Financial Reporting Standards
Separate Financial Statements and
Independent Auditors’ Report

31 December 2017

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Independent Auditors' Report

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

Opinion

We have audited the separate financial statements of Baiterek National Managing Holding Joint Stock Company (the "Holding Company"), which comprise the separate statement of financial position as at 31 December 2017, the separate statements of profit or loss and 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 separate financial statements present fairly, in all material respects, the separate financial position of the Holding Company as at 31 December 2017, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Holding Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of separate financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Holding Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

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

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

30 March 2018

(In thousands of Kazakhstani Tenge)	**Note**	**31 December 2017**	**31 December 2016**
ASSETS			
Cash and cash equivalents	6	225,777	272,994
Deposits	7	18,542,858	16,404,361
Loans to subsidiaries	8	399,200,826	315,345,416
Investment securities available for sale		31,226	-
Investments in subsidiaries	9	873,882,161	819,782,161
Property, plant and equipment		49,672	97,077
Intangible assets		765,536	896,679
Current income tax prepayment		1,226,993	708,508
Other assets		635,622	260,231
TOTAL ASSETS		**1,294,560,671**	**1,153,767,427**
LIABILITIES			
Debt securities issued	10	299,070,782	271,376,696
Loans from the Government of the Republic of Kazakhstan	11	93,730,536	39,567,430
Deferred income tax liability	18	1,144,040	781,722
Other liabilities		1,085,679	1,152,186
TOTAL LIABILITIES		**395,031,037**	**312,878,034**
EQUITY			
Share capital	12	846,218,712	802,318,712
Retained earnings		53,310,922	38,570,681
TOTAL EQUITY		**899,529,634**	**840,889,393**
TOTAL LIABILITIES AND EQUITY		**1,294,560,671**	**1,153,767,427**

Approved by the Management on 30 March 2018 and were signed on its behalf by:

Yersain Yerbulatovich Khamitov
Managing Director -
Member of the Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

(In thousands of Kazakhstani Tenge)	Note	2017	2016
Interest income	13	27,124,324	19,085,287
Interest expense	14	(24,850,810)	(16,798,803)
Net interest income		**2,273,514**	**2,286,484**
Dividends received	15	14,768,097	8,523,885
Other operating income	16	2,160,539	1,537,104
Administrative and other operating expenses	17	(4,016,556)	(3,814,456)
Profit before income tax		**15,185,594**	**8,533,017**
Income tax expense	18	(362,318)	(268,196)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,823,276**	**8,264,821**

(In thousands of Kazakhstani Tenge)	**Note**	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2016		**758,318,712**	**30,305,860**	**788,624,572**
Profit for the year		-	8,264,821	8,264,821
Total comprehensive income for the year		**-**	**8,264,821**	**8,264,821**
Share issue	12	44,000,000	-	44,000,000
Balance at 31 December 2016		**802,318,712**	**38,570,681**	**840,889,393**
Profit for the year		-	14,823,276	14,823,276
Total comprehensive income for the year		**-**	**14,823,276**	**14,823,276**
Share issue	12	43,900,000	-	43,900,000
Discount on financial instruments	7	-	(83,035)	(83,035)
Balance at 31 December 2017		**846,218,712**	**53,310,922**	**899,529,634**

(In thousands of Kazakhstani Tenge)	Note	2017	2016
Cash flows from operating activities			
Interest received		3,446,793	3,051,716
Interest paid		(1,002,515)	(708,345)
Dividends received	15	14,768,097	8,523,885
Staff costs paid		(1,654,039)	(1,533,037)
Administrative and other operating expenses paid		(2,600,512)	(1,758,801)
Income tax paid		(518,485)	(457,757)
Net cash flows from operating activities		**12,439,339**	**7,117,661**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(13,072)	(43,143)
Contribution to the capital of the subsidiaries	9	(54,100,000)	(46,000,000)
Acquisition of intangible assets		(3,484)	(148,307)
Deposits placement		(24,300,000)	(22,900,000)
Deposits repayment		22,030,000	18,130,000
Loans to subsidiaries	8	(147,200,000)	(371,454,097)
Net cash flows used in investing activities		**(203,586,556)**	**(422,415,547)**
Cash flows from financing activities			
Proceeds from debt securities issued	10	21,100,000	254,500,000
Receipts of loans from the Government of the Republic of Kazakhstan	11	126,100,000	116,954,097
Issue of ordinary shares	12	43,900,000	44,000,000
Net cash flows from financing activities		**191,100,000**	**415,454,097**
Net (decrease)/increase in cash and cash equivalents		**(47,217)**	**156,211**
Cash and cash equivalents at beginning of year		272,994	116,783
Cash and cash equivalents at end of year	6	**225,777**	**272,994**

1 Introduction

Baiterek National Managing Holding Joint Stock Company (the "Holding Company") was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571 "On some measures for optimisation of the management system of development institutes and financial organisations, and development of the national economy" and the Decree of the Government of the Republic of Kazakhstan dated 25 May 2013 No. 516 "About measures for implementation of the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571". As at 31 December 2017 and 2016, the ultimate controlling party of the Holding Company is the Government of the Republic of Kazakhstan.

The Holding Company is a direct shareholder of eleven subsidiaries (31 December 2016: eleven).

On 29 May 2013, the Holding Company and "Samruk-Kazyna" National Welfare Fund Joint Stock Company ("Samruk-Kazyna NWF") signed an agreement for the transfer of shares of the Development Bank of Kazakhstan JSC (the "DBK JSC"), the Investment Fund of Kazakhstan JSC (the "IFK JSC"), KazExport Export Insurance Company JSC ("KE JSC"), Damu Entrepreneurship Development Fund JSC ("Damu EDF JSC"), and Kazyna Capital Management JSC ("KCM JSC") in trust management without a right of subsequent repurchase, pursuant to which the Holding Company acted as a trust manager. During August and October 2013, Samruk-Kazyna NWF transferred shares of the above mentioned entities to the Committee for State Property and Privatisations in exchange for block of shares of other joint stock companies and property.

On 17 June 2013, the Holding Company and Committee for State Property and Privatisations of the Ministry of Finance of the Republic of Kazakhstan (the "Committee for State Property and Privatisations") signed an agreement on transfer of government shares of National Agency for Technological Development JSC ("NATD JSC"), Housing Construction Savings Bank of Kazakhstan JSC ("HCSBK JSC"), Kazakhstan Mortgage Company Mortgage Organisation JSC ("KMC JSC"), Housing Construction Guarantee Fund JSC ("HCGF JSC") and Baiterek Development JSC ("BD JSC") into trust management without a right of subsequent repurchase, pursuant to which the Holding Company acted as a trust manager.

During August and October 2013, the Committee for State Property and Privatisations made contributions to the Holding Company's share capital in the form of blocks of shares of ten above mentioned entities in exchange for the Holding Company's ordinary shares for the total amount of Tenge 632,615,460 thousand and made cash contribution of Tenge 30,486,550 thousand that the Holding Company contributed further to the share capital of DBK JSC and KCM JSC.

On 19 March 2014, the Holding Company jointly with "Kazakhstan Centre of Government-Private Partnership" JSC established "Kazakhstan Project Preparation Fund" LLP ("KPPF LLP"). The Holding Company made a cash contribution of Tenge 150,000 thousand to the charter capital of KPPF LLP amounting to 75.00% interest in KPPF LLP.

In accordance with Order No. 964 of the Committee for State Property and Privatisations of 2 October 2014, the Committee for Investments of the Ministry of Industry and New Technologies of the Republic of Kazakhstan transferred 26.00% of shares of KMC JSC to the Holding Company as a contribution to the share capital. The value of transaction amounted to Tenge 10,216,702 thousand, where the total number of shares of 10,216,701 having nominal value Tenge 1,000 per one share, and 1 share of nominal value Tenge 608 per one share were transferred.

Principal activity

The Holding Company'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 Company 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".

1 Introduction, continued

Principal activity (continued)

The Holding Company follows the key Government policies in the area of industrial and innovation development, promotion of national products export, development of small and medium sized entrepreneurship, implementation of tasks in developing housing sector and enhancing the people's welfare, as well as other goals set by the President and Government of the Republic of Kazakhstan.

Below are the major subsidiaries of the Holding Company:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 31 December 2017	31 December 2016
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
KazakhExport Export Insurance Company JSC	KE 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	HCSBK 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	HCGF 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	97.70

Registered address and place of business. The Holding Company's registered address and place of business is: 55a Mangilik Yel Avenue, Yessil district, Astana, Republic of Kazakhstan.

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

2 Operating environment of the Holding Company

The Holding Company's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding Company is exposed to the economic and financial markets of the Republic of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The separate financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and separate financial position of the Holding Company. The future business environment may differ from management's assessment.

3 Summary of significant accounting policies

Basis of preparation. These separate 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. The principal accounting policies applied in the preparation of these separate financial statements are set out below.

In addition, the Holding Company has prepared the consolidated financial statements in accordance with IFRS of the Holding Company and its subsidiaries. The consolidated financial statements of the Holding Company is available from the Holding Company's office at the address: 55a Mangilik Yel Avenue, Yessil district, Astana, 010000, Republic of Kazakhstan.

3 Summary of Significant Accounting Policies (continued)

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

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 separate 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)

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 Company 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 Company uses discounted cash flow valuation techniques to determine the fair value of loans to related parties. 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 loans to related parties.

Derecognition of financial assets. The Holding Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Holding Company 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 all interbank placements and deposits 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.

Loans to subsidiaries. Loans issued to subsidiaries are recorded when the Holding Company 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 issued to subsidiaries are carried at amortised cost.

Investments in subsidiaries. Subsidiaries are investees controlled by the Holding Company. The Holding Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the separate financial statements prepared by the Holding Company investments in subsidiaries are stated at cost, less impairment. Cost of investments in subsidiaries is disclosed in Note 9.

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 period. 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 period (within other operating income or expenses).

3 Summary of Significant Accounting Policies (continued)

Depreciation. 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)
Motor 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 Company 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 Company's intangible assets 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 Company 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 Company 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 Company, 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.

Income tax. Income taxes have been provided for in the separate 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 comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in 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 separate 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 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.

Uncertain tax positions. The Holding Company'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 Company 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.

3 Summary of Significant Accounting Policies (continued)

Debt securities issued. Debt securities issued include bonds issued by the Holding Company in Kazakhstani Tenge. Debt securities issued are stated at amortised cost.

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 Company in return for past or future compliance with certain conditions relating to the operating activities of the Holding Company. Government grants are not recognised until there is reasonable assurance that the Holding Company 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 Company recognises as expenses the related costs for which the grants are intended to compensate.

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 Company 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, not subject to mandatory redemption, with discretionary dividends are 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.

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 Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Holding Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Holding Company does not designate loan commitments as financial liabilities at fair value through profit or 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 Company retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Foreign currency translation. The functional currency and presentation currency of the Holding Company is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge.

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 Company. The Holding Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of the separate statement of financial position in order of liquidity. The Holding Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the separate statement of financial position. Instead, analysis of assets and liabilities by their expected and contractual maturities are presented in Note 19.

4 Critical accounting estimates and judgements in applying accounting policies

The Holding Company 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 judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations (Note 18).

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 2017 is disclosed in Notes 8, 10 and 11.

Initial recognition of related party transactions. In the normal course of business the Holding Company enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement 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 judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 New accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these separate financial statements. Of these pronouncements, potentially the following will have an impact on the separate financial position and performance of the Holding Company. The Holding Company plans to adopt these pronouncements when they become effective.

(a) IFRS 9 *Financial Instruments*

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

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

The Holding Company will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on its preliminary assessment, the Holding Company does not believe that adopting IFRS 9 would have had a material impact on the Holding Company's financial statements in 2018 and its accounting for financial assets and financial liabilities.

(i) Classification - Financial assets

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

IFRS 9 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 standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Holding Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

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

A financial asset is classified into one of these categories on initial recognition.

5 New accounting pronouncements (continued)

(a) IFRS 9 *Financial Instruments (continued)*

(i) Classification - Financial assets (continued)

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

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

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

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

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

In making the assessment, the Holding Company will consider:

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

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

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

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

- Financial assets that are managed on a fair value basis and measured at FVTPL under IFRS (IAS) 39, will also be measured at FVTPL under IFRS 9.
- Cash and cash equivalents, deposits and loans to subsidiaries that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.
- Debt investment securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

5 New accounting pronouncements (continued)

(a) IFRS 9 *Financial Instruments (continued)*

(ii) Impairment –Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to the financial instruments that are not measured at FVTPL. Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. The Holding Company will recognise loss allowances at an amount equal to lifetime ECLs, except:

- financial instruments at initial recognition, except for purchased or originated credit impaired asset; and
- financial instruments, which credit risk has not increased significantly since initial recognition.

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

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

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

- *financial assets that are not credit-impaired at the reporting date:* the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Holding Company expects to receive;
- *financial assets that are credit-impaired at the reporting date:* the difference between the gross carrying amount and the present value of estimated future cash flows.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

Definition of default. Under IFRS 9, the Holding Company will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Holding Company in full, without recourse by the Holding Company to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Holding Company.

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources.

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

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

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

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

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

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

5 New accounting pronouncements (continued)

(a) IFRS 9 *Financial Instruments (continued)*

(ii) Impairment –Financial assets (continued)

Determining whether credit risk has increased significantly. The Holding Company has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Holding Company's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency. In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Holding Company may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

Modified financial assets The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Inputs into measurement of ECLs The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

Loss given default (LGD) is the magnitude of the likely loss if there is a default. LGD models will consider the structure, collateral, and seniority of the claim. LGD estimates will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD) represents the expected exposure in the event of a default. The Holding Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

Forward-looking information. Under IFRS 9, the Holding Company will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies and monetary authorities of the Republic of Kazakhstan, such as the National Bank of the Republic of Kazakhstan ("NBRK") and Ministry of Economic Development, and selected private sector and academic forecasters.

Impact assessment. The Holding Company has estimated that, on the adoption of IFRS 9 at 1 January 2018, there will be no significant impact on loss allowances.

(iii) Classification - Financial liabilities

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

(iv) Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the Holding Company will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss. Under IAS 39, the Holding Company does not recognise any gain or loss in profit or loss on modifications of financial liabilities and non-distressed financial assets that do not lead to their derecognition.

The Holding Company expects an immaterial impact from adopting these new requirements.

5 New Accounting Pronouncements (continued)

(a) IFRS 9 *Financial Instruments (continued)*

(v) Disclosures

IFRS 9 will require extensive new disclosures in particular about credit risk and expected credit losses.

(vi) Impact on capital planning

Currently the Holding Company assesses that the adoption of IFRS 9 will not have impact on statutory capital of the Holding Company.

(vii) Transition

The Holding Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The determination of the business model within which a financial asset is held has to be made on the basis of the facts and circumstances that exist at the date of initial application.

If a financial instrument has low credit risk at 1 January 2018, then the Holding Company will determine that the credit risk on the asset has not increased significantly since initial recognition.

(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 Company does not intend to adopt this standard early. The Holding Company is assessing the potential impact on its separate financial statements resulting from the application of IFRS 16.

(c) Other amendments

The following amended standards and interpretations are not expected to have a significant impact on the Holding Company's separate financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Transfers of Investment Property (Amendments to IAS 40).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

6 Cash and cash equivalents

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**
Current accounts	225,777	272,994
Total cash and cash equivalents	**225,777**	**272,994**

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:

(In thousands of Kazakhstani Tenge)	**31 December 2017**	**31 December 2016**
Neither past due nor impaired		
- NBRK	2	2
- BB- to BB+ rated	225,775	272,992
Total cash and cash equivalents	**225,777**	**272,994**

Interest rate analysis of cash and cash equivalents is disclosed in Note 19.

7 Deposits

(In thousands of Kazakhstani Tenge)	**31 December 2017**	**31 December 2016**
Deposits	18,542,858	16,404,361
Total deposits	**18,542,858**	**16,404,361**

Deposits are not collateralised. Analysis by credit quality of deposits at 31 December 2017 and 2016 is as follows:

(In thousands of Kazakhstani Tenge)	**31 December 2017**	**31 December 2016**
Neither past due nor impaired		
- BB- to BB+ rated	6,788,881	4,302,003
- B- to B+ rated	11,753,977	12,102,358
Total deposits	**18,542,858**	**16,404,361**

The Holding Company had balances of Tenge 206,640 thousand on the deposit account with Bank RBK JSC. In December 2017, a claim to this deposit account was restructured in accordance with the terms and conditions of the Framework Agreement dated 7 November 2017 signed between the Government of the Republic of Kazakhstan, "Samruk-Kazyna NWF" JSC, NMH "Baiterek" JSC, Holding "Kazagro" JSC, Bank RBK JSC and Kazakhmys LLC. As part of the restructuring, the Holding Company's claims to Bank RBK JSC were replaced with the collateralised debt obligations of Special Financial Company "DSFK" LLP, to which the non-performing loans of Bank RBK JSC have been transferred. This portfolio of transferred non-performing loans secures the issued debt obligations of Special Financial Company "DSFK" LLP. The fair value of these securities on the Holding Company's separate statement of financial position as at 31 December 2017 was Tenge 31,226 thousand and represented the fair value of the guarantee of Kazakhmys LLP provided to the holders of said securities.

Based on the results of the restructuring, the Holding Company recognised an impairment loss of Tenge 92,380 thousand in the separate statement of profit or loss (Note 16) and Tenge 83,035 thousand in the separate statement of changes in equity. Given the fact that restructuring was performed by the order of the Shareholder by means of adopting the respective decree of the Government to approve the above-mentioned Master Agreement, a part of the impairment loss was recognised directly in equity.

8 Loans to subsidiaries

	Nominal value		Carrying amount	
(In thousands of Kazakhstani Tenge)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
- DBK JSC	473,961,805	347,861,805	177,910,759	116,995,582
- BD JSC	277,195,125	256,095,125	117,987,779	101,129,672
- DAMU EDF JSC	200,000,000	200,000,000	71,948,648	67,780,290
- KMC JSC	134,092,292	134,092,292	25,596,002	24,075,406
- HCSBK JSC	22,000,000	22,000,000	5,757,638	5,364,466
Total loans to subsidiaries	**1,107,249,222**	**960,049,222**	**399,200,826**	**315,345,416**

In 2017, the Holding Company provided loans to subsidiaries in the total amount of Tenge 147,200,000 thousand (in 2016: Tenge 371,454,097 thousand). The loans bear an interest rate of 0.08% and 0.20% p.a. and mature in 2026-2037 (in 2016: interest rate of 0.08% and 0.15% p.a. and mature in 2026-2046).

In accordance with approved government programs, in 2017 the loans were provided on the following terms and conditions:

- Tenge 17,500,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 10 years for on-lending DBK-Leasing JSC at an interest rate of 0.20% p.a. and maturity of 10 years to provide long-term lease financing under the Unified Program for Business Support and Development “Business Road Map – 2020”;

- Tenge 18,600,000 thousand loan to DBK JSC at the rate of 0.08% p.a. and with maturity in 20 years for on-lending DBK-Leasing JSC at an interest rate of 0.10% p.a. to renovate the passenger car fleet of "Passenger transportation" JSC;

- Tenge 80,000,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance projects under the State Industrial and Innovation Development Program of the Republic of Kazakhstan for 2015-2019.

- Tenge 21,100,000 thousand loan to BD JSC at the rate of 0.20% p.a. and with maturity in 8.4 years to purchase 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;

- Tenge 10,000,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance domestic car manufacturers through conditional financing of second-tier banks to further finance individuals - buyers of vehicles manufactured in the Republic of Kazakhstan and to DBK-Leasing JSC for the latter to provide financing to legal entities and individual entrepreneurs, which take for lease vehicles of special purpose, except for agricultural vehicles produced in the Republic of Kazakhstan.

In accordance with approved government programs, in 2016 the loans were provided on the following terms and conditions:

- Tenge 67,000,000 thousand loan to BD JSC at the rate of 0.15% p.a. and with maturity in 20 years to purchase 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 loan is renewed every 2 years during 20 years;

- Tenge 113,000,000 thousand loan to BD JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance construction of the credit and rental housing;

- Tenge 75,000,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance projects under the State Industrial and Innovation Development Program of the Republic of Kazakhstan for 2015-2019;

- Tenge 22,500,000 thousand loan to KMC JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance construction and purchase of the housing real estate for its further rent;

- Tenge 22,000,000 thousand loan to HCSBK JSC at the rate of 0.15% p.a. and with maturity in 20 years to provide loans to depositors of the bank to buy out the housing real estate;

- Tenge 19,092,292 thousand loan to KMC JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance construction of the housing real estate and its further rent;

- Tenge 15,000,000 thousand loan to BD JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance construction of real estates and a shopping and leisure centre on the territory of the International Specialised Exhibition EXPO-2017 in Astana;

- Tenge 15,000,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 20 years to finance export and pre-export lending;

- Tenge 12,861,805 thousand loan to DBK JSC at the rate of 0.08% p.a. and with maturity in 20 years for on-lending DBK-Leasing JSC at an interest rate of 0.10% p.a. to renovate the passenger car fleet;

- Tenge 10,000,000 thousand loan to DBK JSC at the rate of 0.15% p.a. and with maturity in 10 years for on-lending DBK-Leasing JSC at an interest rate of 0.20% p.a. and maturity of 10 years to provide long-term lease financing under the Unified Program for Business Support and Development “Business Road Map – 2020”.

8 Loans to subsidiaries (continued)

At initial recognition the loans were recognised at fair value measured by applying relevant market interest rates varying from 8.78% to 9.42% p.a. (in 2016: from 6.89% to 10.30% p.a.) to discount their future cash flows. The Holding Company recognised a difference of Tenge 86,953,329 thousand (in 2016: Tenge 268,816,387 thousand) between a fair value and a nominal value as a loss, at initial recognition of loans provided to subsidiaries at a below-market interest rates and reported the difference in profit or loss. These loans were financed through bonds issue and funds of the republican budget denominated in Tenge at interest rates varying from 0.05% to 0.15% p.a. (in 2016: from 0.05% to 0.10% p.a.) maturing in 2026-2037 (Note 10 and 11). During 2017 all of the issues of bonds were acquired by the "Samruk-Kazyna NWF" JSC (2016: the National Bank of the Republic of Kazakhstan). The differences of Tenge 10,728,233 thousand (in 2016: Tenge 192,194,206 thousand) and Tenge 78,464,629 thousand (in 2016: Tenge 78,157,983 thousand) between a fair value at initial recognition and nominal value of bonds and loans from the government of the Republic of Kazakhstan were therefore, recognised in profit or loss as a government grant to correspond with the Holding Company's loss on initial recognition of loans to subsidiaries (Note 16).

9 Investments in subsidiaries

The table below summarises the movements in the carrying amount of the Holding Company's investments in subsidiaries in 2017:

(In thousands of Kazakhstani Tenge)	**1 January 2017**	**Contribution**	**31 December 2017**
Carrying amount:			
DBK JSC	353,515,793	25,000,000	378,515,793
KCM JSC	104,696,686	-	104,696,686
HCSBK JSC	95,159,603	-	95,159,603
DAMU EDF JSC	78,925,794	-	78,925,794
BD JSC	47,732,078	-	47,732,078
KMC JSC	38,482,233	5,200,000	43,682,233
KE JSC	27,018,407	13,900,000	40,918,407
IFK JSC	34,339,971	-	34,339,971
NATD JSC	25,533,132	-	25,533,132
HCGF JSC	12,228,464	10,000,000	22,228,464
KPPF LLP	2,150,000	-	2,150,000
Total investments in subsidiaries	**819,782,161**	**54,100,000**	**873,882,161**

The table below summarises the movements in the carrying amount of the Holding Company's investment in subsidiaries in 2016:

(In thousands of Kazakhstani Tenge)	**1 January 2016**	**Contribution**	**31 December 2016**
Carrying amount:			
DBK JSC	333,515,793	20,000,000	353,515,793
KCM JSC	104,696,686	-	104,696,686
HCSBK JSC	95,159,603	-	95,159,603
DAMU EDF JSC	78,925,794	-	78,925,794
BD JSC	47,732,078	-	47,732,078
KMC JSC	38,482,233	-	38,482,233
IFK JSC	34,339,971	-	34,339,971
KE JSC	13,018,407	14,000,000	27,018,407
NATD JSC	25,533,132	-	25,533,132
HCGF JSC	2,228,464	10,000,000	12,228,464
KPPF LLP	150,000	2,000,000	2,150,000
Total investments in subsidiaries	**773,782,161**	**46,000,000**	**819,782,161**

10 Debt securities issued

(In thousands of Kazakhstani Tenge)			**Nominal value**		**Carrying amount**	
	Placement date	**Maturity date**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
KZ2C0Y20F251	25.03.2016	25.03.2036	202,000,000	202,000,000	57,818,728	54,075,664
KZP01Y20E920	13.03.2015, 31.03.2015	13.03.2035	170,000,000	170,000,000	57,873,853	54,427,305
KZ2C0Y20E676	15.04.2014	15.04.2034	100,000,000	100,000,000	36,418,222	34,266,875
KZ2C0Y20E775	10.12.2014	10.12.2034	100,000,000	100,000,000	35,049,799	32,985,990
KZP01Y30E879	21.01.2015, 16.02.2015	21.01.2045	92,500,000	92,500,000	16,478,351	15,509,686
KZ2C0Y20E742	30.10.2014	30.10.2034	50,000,000	50,000,000	17,275,725	16,238,471
KZP02Y20E738	26.03.2015	26.03.2035	38,095,125	38,095,125	29,579,933	27,962,930
KZP01Y20E730	15.07.2014	15.07.2034	23,000,000	23,000,000	20,710,437	19,670,611
KZP02Y30E877	29.01.2016	29.01.2046	22,500,000	22,500,000	4,122,938	3,892,909
KZP01Y09F615	19.10.2017	29.01.2026	21,100,000	-	10,552,209	-
KZP02Y20E928	29.09.2015	29.09.2035	15,000,000	15,000,000	4,866,191	4,573,249
KZ2C0Y20F236	03.02.2016	03.02.2036	15,000,000	15,000,000	4,653,295	4,368,147
KZP03Y20E736	09.03.2016	09.03.2036	15,000,000	15,000,000	3,671,101	3,404,859
			864,195,125	**843,095,125**	**299,070,782**	**271,376,696**

As at 31 December 2017 and 2016, the Holding Company's debt securities issued are not listed.

In 2017, the Holding Company issued the bonds for the total amount of Tenge 21,100,000 thousand:

- unsecured coupon bonds with nominal value of Tenge 21,100,000 thousand issued on 19 October 2017, with a coupon rate of 0.15% p.a. which mature in March 2026. The funds 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.

In 2016, the Holding Company issued the bonds for the total amount of 254,500,000 thousand:

- unsecured coupon bonds with nominal value of Tenge 22,500,000 thousand issued on 29 January 2016, with a coupon rate of 0.10% p.a. which mature in January 2046. The funds will be used to finance construction and purchase of the housing real estate and it further rent;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand issued on 3 February 2016, with a coupon rate of 0.10% p.a. which mature in February 2036. The funds will be used to finance export and pre-export lending;

- unsecured coupon bonds with nominal value of Tenge 15,000,000 thousand issued on 9 March 2016, with a coupon rate of 0.10% p.a. which mature in March 2036. 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;

- unsecured coupon bonds with nominal value of Tenge 202,000,000 thousand issued on 25 March 2016, with a coupon rate of 0.10% p.a. 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 HCSBK 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;

Bonds issued in 2017 were acquired in full by "Samruk-Kazyna NWF" JSC. All of the bonds issued in 2016 were acquired in full by the National Bank of the Republic of Kazakhstan using proceeds of the National Fund of the Republic of Kazakhstan.

10 Debt securities issued (continued)

As a part of implementation of programs of state support and development, the Management Council of the National Fund of the Republic of Kazakhstan sets conditions of financing in the form of interest rates, financing schedule and related requirements for both the Holding Company, its subsidiaries, commercial banks as the agents of the programs as well as for the ultimate recipients of the funds. In addition, the Government has approved special conditions, under which the Holding Company's subsidiaries may provide further financing to commercial banks and companies. For this reason, the difference that had arisen upon valuation of bonds purchased by the NBRK using proceeds of the National Fund of the Republic of Kazakhstan in 2017 at fair value at the issue date, was recognised as a government grant, also taking into account that the NBRK acted as the state agent and not in the interests of the Holding Company's ultimate shareholder, since all terms of the loans had been agreed on at the Government level in the decree concerning the financing of the above-mentioned programs, and the Government as the Holding Company's shareholder does not expect that direct economic benefits will be available to it, as the ultimate beneficiaries of the benefits are the recipient entities under the programs. Thus, in 2017 the Holding Company reported income of Tenge 10,728,233 thousand (2016: Tenge 192,194,206 thousand) as the government grant, which was recognised in other operating income in the separate statement of profit or loss and comprehensive income (Note 16). The Holding Company applied the market interest rate of 9.01% p.a. (2016: from 6.51% to 8.29% p.a.) to determine the fair value of issued bonds upon initial recognition.

11 Loans from the Government of the Republic of Kazakhstan

	Nominal value		**Carrying amount**	
(In thousands of Kazakhstani Tenge)	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Ministry of Finance of the Republic of Kazakhstan	243,054,097	116,954,097	93,730,536	39,567,430
Total loans from the Government of the Republic of Kazakhstan	**243,054,097**	**116,954,097**	**93,730,536**	**39,567,430**

During 2017, the Holding Company received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 126,100,000 thousand:

- a loan of Tenge 17,500,000 thousand has been provided at the rate of 0.10% p.a. and with maturity in 10 years. The borrowed funds are intended to lend the Holding Company's subsidiary - DBK JSC for further lending of DBK-Leasing JSC to provide a long-term lease financing under the Unified Program for Business Support and Development "Business Road Map – 2020";

- a loan of Tenge 18,600,000 thousand has been provided at the rate of 0.05% p.a. and with maturity in 20 years. All borrowed funds are intended to finance the Holding Company's subsidiary - DBK JSC for further lending of DBK-Leasing JSC to finance the renewal of passenger car fleet of "Passenger transportation" JSC;

- a loan of Tenge 80,000,000 thousand loan to DBK JSC at the rate of 0.10% p.a. and with maturity in 20 years. The borrowed funds are intended to lend the Holding Company's subsidiary - DBK JSC to finance the investment projects as a part of implementation of the State Program of the Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019. Interest rate on loans for final borrowers is limited to 11% p.a;

- a loan of Tenge 10,000,000 thousand has been provided at the rate of 0.10% p.a. and with maturity in 20 years. All borrowed funds are intended to finance the Holding Company's subsidiary - DBK JSC to finance domestic car manufacturers through conditional financing of second-tier banks to further finance individuals - buyers of vehicles manufactured in Kazakhstan and to DBK-Leasing JSC to provide financing to legal entities and individual entrepreneurs, which take for lease vehicles of special purpose.

During 2016, the Holding Company received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 116,954,097 thousand.

- a loan of Tenge 19,092,292 thousand has been provided at the interest rate of 0.10% p.a. and has maturity of 30 years. All borrowed funds are intended to finance construction of apartment houses that will be subsequently rented out;

- a loan of Tenge 75,000,000 thousand has been provided at the interest rate of 0.10% p.a. and has maturity of 20 years. The borrowed funds are intended to lend the Holding Company's subsidiary - DBK JSC to finance the investment projects as a part of implementation of the State Program of the Industrial and Innovative Development of the Republic of Kazakhstan for 2015-2019;

- a loan of Tenge 10,000,000 thousand has been provided at the interest rate of 0.10% p.a. and has maturity of 10 years. The borrowed funds are intended to lend the Holding Company's subsidiary - DBK JSC for further lending of DBK-Leasing JSC to provide a long-term lease financing under the Unified Program for Business Support and Development "Business Road Map – 2020";

- a loan of Tenge 12,861,805 thousand has been provided at the interest rate of 0.05% p.a. and has maturity of 20 years. All borrowed funds are intended to finance the Holding Company's subsidiary - DBK JSC for further lending of DBK-Leasing JSC to finance the renewal of passenger car fleet.

11 Loans from the Government of the Republic of Kazakhstan (continued)

During 2017, the Holding Company stated income of Tenge 78,464,629 thousand as government grants (2016: Tenge 78,157,983 thousand), recognised in other operating income in the separate statement of profit or loss and comprehensive income. The Holding Company used estimated market interest rates of 8.92% – 9.49% (2016: 8.00% – 10.30% p.a.) 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.

12 Share capital

(In thousands of Kazakhstani Tenge, except for number of shares)	**31 December 2017**	**31 December 2016**
Authorised ordinary shares	5,000,086,550	5,000,086,550
Ordinary shares registered but not placed	(4,153,867,838)	(4,197,767,838)
Total issued shares paid	**846,218,712**	**802,318,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**846,218,712**	**802,318,712**

Each ordinary share carries one vote.

During 2017, the Holding Company received three cash contributions for a total amount of Tenge 43,900,000 thousand to share capital (2016: three cash contributions for a total amount of Tenge 44,000,000 thousand to share capital).

13 Interest income

(In thousands of Kazakhstani Tenge)	**2017**	**2016**
Loans to subsidiaries	25,109,313	17,042,733
Deposits	2,015,011	2,042,554
Total interest income	**27,124,324**	**19,085,287**

Interest income for the year ended 31 December 2017 includes Tenge 23,559,030 thousand (2016: Tenge 15,821,572 thousand) resulting from unwinding of discount which has arisen upon initial recognition of loans to subsidiaries (Note 8).

14 Interest expense

(In thousands of Kazakhstani Tenge)	**2017**	**2016**
Debt securities issued	18,163,655	16,027,487
Loans from the Government of the Republic of Kazakhstan	6,687,155	771,316
Total interest expense	**24,850,810**	**16,798,803**

Interest expense on debt securities issued for the year ended 31 December 2017 includes Tenge 17,312,472 thousand (2016: Tenge 15,237,967 thousand) resulting from unwinding of discount which has arisen upon initial recognition of debt securities issued (Note 10).

Interest expense on loans from the Government of the Republic of Kazakhstan for the year ended 31 December 2017 includes Tenge 6,501,255 thousand (2016: Tenge 744,974 thousand), resulting from unwinding of discount which has arisen upon initial recognition of loans from the Government of the Republic of Kazakhstan (Note 11).

15 Dividends Received

(In thousands of Kazakhstani Tenge)	2017	2016
HCSBK JSC	6,778,929	-
BD JSC	3,059,355	2,185,954
DBK JSC	1,995,163	1,710,930
DAMU EDF JSC	1,678,218	2,000,075
KMC JSC	926,802	-
IFK JSC	215,335	-
NATD JSC	81,339	342,704
KE JSC	32,956	784,222
KCM JSC	-	1,500,000
Total dividends received	**14,768,097**	**8,523,885**

16 Other operating income

(In thousands of Kazakhstani Tenge)	2017	2016
Loss at initial recognition of loans to subsidiaries at a market-below interest rates (Note 8)	(86,953,329)	(268,816,387)
Government grant (Notes 10 and 11)	89,192,862	270,352,189
Impairment loss (Note 7)	(92,380)	-
Other	13,386	1,302
Total other operating income	**2,160,539**	**1,537,104**

17 Administrative and Other Operating Expenses

(In thousands of Kazakhstani Tenge)	2017	2016
Staff costs	1,654,039	1,533,037
Charity and sponsorship*	564,878	248,003
Administrative expense of the Board of Directors	317,696	321,088
Consulting services	292,260	620,545
Operating lease expense	285,709	277,180
Outsourcing costs	249,747	198,709
Amortisation of software and other intangible assets	134,455	88,249
Business trip expenses	85,686	63,083
Depreciation of property, plant and equipment	63,199	81,159
Advertising and marketing services	62,273	98,538
Staff training, conferences	46,711	20,795
Communication services	39,596	39,172
Other costs related to property, plant and equipment	35,964	57,945
Insurance costs	32,493	30,494
Costs for stationary printing products, branding products	17,257	19,986
Other	134,593	116,473
Total administrative and other operating expenses	**4,016,556**	**3,814,456**

*During 2017 the Holding Company has provided sponsorship to “Kazakhstan Fund of Economic Initiatives” Corporate Fund in the amount of Tenge 350,000 thousand (2016: Tenge 60,440 thousand) with a purpose to conduct a study on the international practice of implementing a project approach in public administration, involving international experts and consultants, and also for the implementation of tasks for the "Third modernization of Kazakhstan".

18 Income tax

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

(In thousands of Kazakhstani Tenge)	2017	2016
Change in deferred tax liabilities due to origination and reversal of temporary differences	362,318	268,196
Total income tax expense	**362,318**	**268,196**

The income tax rate applicable to the Holding Company's 2017 income is 20% (2016: 20%). For the year ended 31 December 2017, the Holding Company had offset the taxes payable against the withholding tax on interest income on bank deposits to the amount of Tenge 291,899 thousand (2016: Tenge 299,215 thousand).

Reconciliation between the expected and the actual taxation charge is provided below:

(In thousands of Kazakhstani Tenge)	2017	%	2016	%
Profit before income tax	**15,185,594**		**8,533,017**	**100**
Income tax at the applicable tax rate	3,037,119	20	1,706,603	20
Dividends received which are non-taxable	(2,953,619)	(19)	(1,704,777)	(20)
Unrecognised deferred tax assets	168,070	1	200,006	2
Non-deductible expenses	110,748	-	66,364	1
Income tax expense	**362,318**	**2**	**268,196**	**3**

Differences between IFRS and statutory taxation regulations in the Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2024-2027.

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2016: 20%).

(In thousands of Kazakhstani Tenge)	1 January 2017	Recognised in profit or loss	31 December 2017
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(4,861)	8,386	3,525
Loans to subsidiaries	129,026,736	12,678,860	141,705,596
Investment securities available for sale	-	35,083	35,083
Debt securities issued	(129,876,373)	(13,075,475)	(142,951,848)
Other liabilities	72,776	(9,172)	63,604
Tax loss carried forward	1,010,552	168,070	1,178,622
Net deferred tax asset before recoverability assessment	**228,830**	**(194,248)**	**34,582**
Recognised deferred tax asset	129,099,512	12,708,296	141,807,808
Recognised deferred tax liability	(129,881,234)	(13,070,614)	(142,951,848)
Net deferred income tax liability	**(781,722)**	**(362,318)**	**(1,144,040)**

18 Income tax (continued)

(In thousands of Kazakhstani Tenge)	1 January 2016	Recognised in profit or loss	31 December 2016
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	(14,036)	9,175	(4,861)
Loans to subsidiaries	78,427,810	50,598,926	129,026,736
Debt securities issued	(79,002,559)	(50,873,814)	(129,876,373)
Other liabilities	75,259	(2,483)	72,776
Tax loss carried forward	810,546	200,006	1,010,552
Net deferred tax asset before recoverability assessment	**297,020**	**(68,190)**	**228,830**
Recognised deferred tax asset	78,503,069	50,596,443	129,099,512
Recognised deferred tax liability	(79,016,595)	(50,864,639)	(129,881,234)
Net deferred income tax liability	**(513,526)**	**(268,196)**	**(781,722)**

19 Financial risk management

Risk management rules and procedures of the Holding Company. The Holding Company's risk management policies aim to identify, analyse and manage the risks faced by the Holding Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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 Company's governance, and continuously improve the Holding Company's activities based on the unified standardised approach to the risk management methods and procedures;
- to ensure that the Holding Company assumes acceptable risks adequate to the scale of its activities;
- 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 Company comprises risk management at several levels with engagement of the following bodies and structural units of the Holding Company: Board of Directors, Management Board, Committee of Asset and Liability Management, Risk Management Department, Internal Audit Function, collective bodies and other structural units.

Board of Directors. The first level of the risk management process is represented by the Board of Directors of the Holding Company. 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 Company'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 Company. The Management Board is responsible for establishment of efficient risk management system and risk control structure to provide for compliance with the corporate policy requirement. The Management Board is liable for creation of "risk consciousness" culture which reflects risk management and risk management philosophy of the Holding Company. 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 Company'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 Company'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.

19 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 Function. In course of risk management, the Internal Audit Function of the Holding Company 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 Company 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 Company which are represented by each employee. Structural units (risk owners) play the key role in the risk management process. The Holding Company'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 Company 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 Company and its subsidiaries giving rise to financial assets.

The Holding Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the separate statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. No collateral and other credit enhancements exist as at 31 December 2017 and 31 December 2016.

The Holding Company controls credit risk by placing limits on transactions with counterparties, including limits on the level of risk accepted in relation to one counteragent, or groups of counteragents, based on the Regulations for Management of Financial Assets and Liabilities of Baiterek National Managing Holding Joint Stock Company.

None of financial assets are impaired or past due as at 31 December 2017 and 31 December 2016.

Credit risk concentration. The Holding Company's cash and deposit balances at 31 December 2017 were placed with eight banks (31 December 2016: seven banks). That does not expose the Holding Company to significant credit concentration risk.

Concentration of Loans to subsidiaries is disclosed in Note 8.

Currency risk. As at 31 December 2017 and 31 December 2016, the Holding Company has no significant foreign currency exposure.

Market risk is the risk of changes in Holding Company's income or cost of its portfolios due to changes in market prices, including foreign exchange and interest rates. The Holding Company's market risk consists of currency risk, interest rate risk. Market risks arise from open positions in currency, interest rates and equity products, all of which are exposed to general and specific market movements.

The market risk management objectives are to manage and control that exposure to market risk does not fall out of the acceptable parameters, ensuring the optimisation of profitability obtained for risk accepted.

Overall responsibility for the market risk management is imposed on the Management Board, headed by the Chairman of the Management Board. Management Board set limits with respect to the market risk based on recommendations received from Risk Management Department.

The Holding Company manages market risk through setting limits on open positions with respect to the value of portfolio on individual financial instruments, terms of changes in interest rates, currency position, limits for losses, and regular monitoring of their observance, the results of which are reviewed and approved by the Management Board.

Interest rate risk is the risk of changes in the Holding Company's income or cost of its portfolios of financial instruments due to changes in interest rates.

The Holding Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its separate 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 arises, when available or forecasted assets with definite maturity are higher or lower upon value compared to available or forecasted liabilities with similar maturity. Interest rate risk management 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.

19 Financial risk management (continued)

The table below summarises the Holding Company's exposure to interest rate risk as at 31 December 2017. The table presents the aggregated amounts of the Holding Company'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**	**Interest-free**	**Total**
At 31 December 2017						
Total financial assets	1,995,219	3,884,912	13,368,380	398,752,469	2	418,000,982
Total financial liabilities	(50,292)	(249,394)	(11,649)	(392,489,983)	(292,478)	(393,093,796)
Net interest sensitivity gap at 31 December 2017	**1,944,927**	**3,635,518**	**13,356,731**	**6,262,486**	**(292,476)**	**24,907,186**

The table below summarises the Holding Company's exposure to interest rate risk as at 31 December 2016. The table presents the aggregated amounts of the Holding Company'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**	**Interest-free**	**Total**
At 31 December 2016						
Total financial assets	349,283	4,637,236	9,895,593	317,140,657	2	332,022,771
Total financial liabilities	(50,291)	(214,809)	(11,667)	(310,667,359)	(581,108)	(311,525,234)
Net interest sensitivity gap at 31 December 2016	**298,992**	**4,422,427**	**9,883,926**	**6,473,298**	**(581,106)**	**20,497,537**

An analysis of the sensitivity of profit or loss (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and restated positions of interest-bearing assets and liabilities existing as at 31 December 2017 and 2016 is as follows:

(In thousands of Kazakhstani Tenge)	**2017**	**2016**
100 bp parallel rise	62,226	47,121
100 bp parallel fall	(62,226)	(47,121)

The Holding Company monitors interest rates for its financial instruments. The table below summarises effective interest rates at the respective reporting date.

In weighted-average % p.a.	**31 December 2017**	**31 December 2016**
Assets		
Cash and cash equivalents	7.30%	6.79%
Deposits	9.37%	12.71%
Loans to subsidiaries	7.32%	7.02%
Liabilities		
Debt securities issued	6.72%	6.64%
Loans from the Government of the Republic of Kazakhstan	9.42%	9.62%

19 Financial risk management (continued)

Liquidity of financial assets and liabilities is presented in the table above. Contractual payments under the financial liabilities exceed their carrying amount by the sum of non-amortised discount of future interest expenses. As at 31 December 2017 the contractual payments on the issued debt securities and loans from the Government of the Republic of Kazakhstan amount to Tenge 1,125,391,798 thousand, including nominal value of Tenge 1,107,249,222 thousand with maturity in 2034 and 2046, and total future interest of Tenge 18,142,576 thousand. As at 31 December 2016 the contractual payments on the issued debt securities and loans from the Government of the Republic of Kazakhstan amount to Tenge 977,594,881 thousand, including nominal value of Tenge 960,049,222 thousand with maturity in 2034 and 2046, and total future interest of Tenge 17,545,659 thousand.

Capital management. The Holding Company treats capital as net assets attributable to the Holding Company's owners. The Holding Company is not subject to the regulatory capital requirements.

Legal risks. The Holding Company is exposed to legal risk, when there is the probability of occurrence of an adverse legislation change, incorrect legislation application, non-observance of internal documents, when decisions are made, untimely notification of state authorised bodies (in different situations: when documents are prepared, when legally significant actions are committed, etc.).

The Holding Company manages legal risk through monitoring of legislation changes, monitoring of orders implementation, professional development of legal department employees, engagement of consultants.

20 Contingencies

Legal proceedings. From time to time and in the normal course of business, claims against the Holding Company and its subsidiaries may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these separate 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 Company 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 separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Operating lease commitments. The Holding Company has a number 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.

21 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 control over the Holding Company since it is the ultimate controlling party. The Holding Company has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

The balances as at 31 December 2017 for balances with related parties are as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Cash and cash equivalents	-	2
Investments in subsidiaries	873,882,161	-
Loans to subsidiaries	399,200,826	-
Current income tax prepayment	-	1,226,993
Debt securities issued	-	(299,070,782)
Loans from the Government of the Republic of Kazakhstan	-	(93,730,536)
Deferred income tax liability	-	(1,144,040)
Other liabilities	-	(159,772)

The income and expense items on the related party transactions for 2017 were as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Interest income	25,109,313	-
Interest expense	-	(24,850,810)
Dividends received	14,768,097	-
Other operating (expense)/income	(86,953,329)	89,192,862
Administrative and other operating expenses	-	(757,807)
Income tax expense	-	(362,318)

The balances as at 31 December 2016 for balances with related parties are as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Cash and cash equivalents	-	2
Investments in subsidiaries	819,782,161	-
Loans to subsidiaries	315,345,416	-
Current income tax prepayment	-	708,508
Debt securities issued	-	(271,376,696)
Loans from the Government of the Republic of Kazakhstan	-	(39,567,430)
Deferred income tax liability	-	(781,722)
Other liabilities	-	(80,729)

The income and expense items on the related party transactions for 2016 were as follows:

(In thousands of Kazakhstani Tenge)	**Subsidiaries**	**Transactions with state owned entities**
Interest income	17,042,551	-
Interest expense	-	(16,798,621)
Dividends received	8,523,885	-
Other operating (expense)/income	(268,816,387)	270,352,189
Administrative and other operating expenses	-	(660,045)
Income tax expense	-	(268,196)

21 Related party transactions (continued)

Total remuneration to the members of the Management Board and Board of Directors is as follows:

(In thousands of Kazakhstani Tenge)	2017	2016
Members of the Board of Directors	210,381	281,844
Members of the Management Board	219,972	183,164
Total	**430,353**	**465,008**

22 Fair value

Determination of fair values. A number of the Holding Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Holding Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Holding Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Level 2	Total fair value	Total carrying amount
Assets			
Cash and cash equivalents	225,777	225,777	225,777
Deposits	18,542,858	18,542,858	18,542,858
Loans to subsidiaries	319,176,924	319,176,924	399,201,121
Liabilities			
Debt securities issued	219,524,526	219,524,526	299,070,782
Loans from the Government of the Republic of Kazakhstan	94,468,401	94,468,401	93,730,536

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2016:

(In thousands of Kazakhstani Tenge)	Level 2	Total fair value	Total carrying amount
Assets			
Cash and cash equivalents	272,994	272,994	272,994
Deposits	16,404,361	16,404,361	16,404,361
Loans to subsidiaries	230,228,009	230,228,009	315,345,416
Liabilities			
Debt securities issued	186,902,803	186,902,803	271,376,696
Loans from the Government of the Republic of Kazakhstan	38,728,219	38,728,219	39,567,430