Baiterek National Managing Holding Joint Stock Company

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

31 December 2018

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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 consolidated financial statements of Baiterek National Managing Holding Joint Stock Company and its subsidiaries (the "Holding"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Holding as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Government Grants	
Please refer to the Notes 3 (Government grants), 20, 23 and 25 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
During 2018 the Holding obtained financing from Government via issue of unsecured coupon bonds with total nominal value of Tenge 70,148,922 thousand with a coupon rate of 0.15% p.a. and loans in the amount of Tenge 47,537,182 thousand with interest rates ranging from 0.05% p.a. to 0.10% p.a. At initial recognition these debt securities issued and loans received were recognised at fair values measured by applying estimates of relevant market interest rates to discount the contractual future cash flows. The difference of Tenge 57,462,015 thousand between the fair value and the nominal value of debt securities issued and loans received was recognised as a government grant, which is subsequently recognised in profit or loss upon fulfilment of conditions attached to respective financing. We focused on the estimate of the fair value of the debt securities issued and the loans received due to significant judgment involved arriving at the estimate, as well as on accounting for the difference between the nominal value and fair value of debt securities issued and loans received.	Our audit procedures included assessing, based on the overall substance of the transaction, whether the difference between consideration received and the fair value of the debt securities issued and loan received represents a government grant. We assessed the reasonableness of management's estimates of market rates applied to calculate fair values of the debt securities issued and the loans received at below-market rates and compared them to available market information. We assessed the appropriateness of methods used to amortise government grants. We also assessed whether the consolidated financial statement disclosures appropriately reflect the information in relation to government grants recognised in the consolidated financial statements.

Expected credit losses for loans to customers	
Please refer to the Notes 3 (Impairment), 5 and 11 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans to customers represent 51% of assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used.	We analysed the key aspects of the Holding's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risk management specialists.

From 1 January 2018 the Holding implemented a new ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in stage 3. Due to the significant amount of loans to customers, adoption of the new ECL model and the related estimation uncertainty, this area is a key audit matter.	To analyse the adequacy of professional judgement and assumptions made by the Holding in relation to the allowance for the ECL estimate, we performed the following: - for a sample of loans to customers, for which a potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Holding by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Holding; - regarding loans issued to customers and assigned to stages 1 and 2, we tested the effectiveness of design and implementation of the models used as well as agreeing input data used in the models on a sample basis; - for a sample of stage 3 loans we assessed the adequacy of the ECL allowance by critically assessing assumptions used by the Holding to estimate cash flows receivable, including proceeds from realisable collateral and their timing. We compared assumptions used by the Holding for these loans with industry, financial and economic data from available public sources. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Holding's exposure to credit risk.

Impairment losses on loans to banks and financial institutions and deposits

Please refer to the Notes 3 (Financial assets and financial liabilities), 9 and 32 in the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
During 2018 the Holding has restructured loans issued to and deposits held with a commercial bank that had financial difficulties. Under the restructuring terms, the Holding's claims have been exchanged for bonds with a longer maturity period and a lower interest rate. These bonds were further restructured in January 2019. As a result, the Holding recognised impairment loss in the amount of Tenge 48,178,541 thousand in the consolidated statement of profit or loss for the year ended 31 December 2018. Due to the significant amount of impairment loss recognised and	We analysed the key aspects of the Holding's methodology and policies related to the derecognition of modified financial assets for compliance with the requirements of IFRS 9. To analyse the adequacy of professional judgement and assumptions made by the Holding in relation to the estimation of the effect of the restructuring, we performed the following: - we assessed input data for the model used to estimate ECL for loans issued to and deposits held in the commercial bank and for the model used to estimate fair value of newly issued bonds; - for a sample of loans to banks and deposits held in banks, for which a potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the

the related estimation uncertainty, this area is a key audit matter.	Holding by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Holding; - for stage 3 loans to banks and for POCI assets we assessed the adequacy of the ECL allowance by critically assessing assumptions used by the Holding to estimate cash flows receivable. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Holding's exposure to credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Holding for 2018 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Holding for 2018 is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MФ-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

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

15 April 2019

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

(In thousands of Kazakhstani Tenge)	Note	31 December 2018	31 December 2017*
ASSETS			
Cash and cash equivalents	7	644,172,147	672,098,266
Financial instruments at fair value through profit or loss	8	130,751,305	147,403,945
Loans to banks and financial institutions	9	275,164,588	284,059,767
Deposits	10	153,048,495	196,098,624
Loans to customers	11	2,399,432,616	2,040,393,563
Investment securities	12	601,672,133	561,438,865
Finance lease receivables	13	275,255,229	230,652,747
Investments in associates and joint ventures		1,082,556	1,834,289
Investment property	14	6,630,998	12,311,523
Current income tax prepayment		18,974,333	24,073,618
Deferred income tax asset	34	3,844,215	4,347,437
Property, plant and equipment	15	15,206,946	10,072,850
Intangible assets		3,744,006	3,873,654
Non-current assets held for sale	16	38,318,211	30,021,009
Other financial assets	17	21,180,419	28,711,793
Other assets	18	130,368,213	185,163,395
TOTAL ASSETS		**4,718,846,410**	**4,432,555,345**
LIABILITIES			
Customer accounts	19	649,472,345	539,309,735
Debt securities issued	20	1,439,786,546	1,125,979,806
Subordinated debt	21	6,074,969	5,381,557
Loans from banks and other financial institutions	22	837,499,715	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	23	208,831,317	180,029,399
Current income tax liability		356,912	877
Deferred income tax liability	34	19,366,974	28,421,885
Insurance contracts liabilities		4,699,589	2,753,547
Liabilities directly attributable to disposal groups held for sale		95,438	22,445
Other financial liabilities	24	47,468,591	40,245,511
Other liabilities	25	444,013,320	448,371,440
TOTAL LIABILITIES		**3,657,665,716**	**3,380,704,841**
EQUITY			
Share capital	26	846,218,712	846,218,712
Securities fair value reserve		(12,280,740)	(12,562,781)
Revaluation reserve for financial assets reclassified from "investment securities at fair value through other comprehensive income" to "loans to customers"		-	914,412
Foreign currency translation reserve		3,751,446	3,780,435
Business combination reserve and additional paid-in capital		133,682,001	108,407,533
Other reserves		7,964,010	7,169,251
Retained earnings		81,775,074	97,231,129
Net assets attributable to the Holding's owners		**1,061,110,503**	**1,051,158,691**
Non-controlling interests		**70,191**	**691,813**
TOTAL EQUITY		**1,061,180,694**	**1,051,850,504**
TOTAL LIABILITIES AND EQUITY		**4,718,846,410**	**4,432,555,345**

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2). As a result of adoption of IFRS 9 the Holding changed presentation of certain captions, comparative information is re-presented accordingly (Note 2).

Approved for issue and signed by the Management on 15 April 2019.

Yersain Yerbulatovich Khamitov
Managing Director-
Member of the Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

(In thousands of Kazakhstani Tenge)	Note	2018	2017*
Interest income calculated using the effective interest method	27	271,327,053	267,109,716
Other interest income	27	30,419,034	20,263,403
Interest expense	27	(155,415,945)	(139,932,395)
Net interest income	**27**	**146,330,142**	**147,440,724**
Provision for loan portfolio impairment	11	(5,349,243)	(38,075,894)
Net interest income less provision for loan portfolio impairment		**140,980,899**	**109,364,830**
Fee and commission income	28	6,116,458	5,946,272
Fee and commission expense	28	(4,490,844)	(2,621,876)
Net fee and commission income	**28**	**1,625,614**	**3,324,396**
Net gain/(loss) on financial assets at fair value through profit or loss	29	8,627,103	(12,631,038)
Net foreign exchange gain	30	1,452,322	1,780,198
Net gain on financial assets at fair value through other comprehensive income		222,146	2,185,969
Net insurance premiums earned		1,413,333	709,034
Net expense on insurance benefits and changes in insurance contract provisions		(1,162,108)	(278,980)
Other operating (expense)/income, net	31	(3,396)	8,811,967
Operating income		**153,155,913**	**113,266,376**
Provision for impairment of other financial assets and credit related commitments	32	(54,858,530)	(21,098,172)
Administrative expenses	33	(45,879,121)	(39,859,472)
Share of financial result of associates and joint ventures		(975)	(558,499)
Profit before income tax		**52,417,287**	**51,750,233**
Income tax expense	34	(17,699,302)	(8,162,693)
PROFIT FOR THE YEAR		**34,717,985**	**43,587,540**
Profit attributable to:			
- owners of the Holding		34,718,048	43,667,837
- non-controlling interest		(63)	(80,297)
Profit for the year		**34,717,985**	**43,587,540**

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2). As a result of adoption of IFRS 9 the Holding changed presentation of certain captions, comparative information is re-presented accordingly (Note 2).

(In thousands of Kazakhstani Tenge)		**2018**	**2017***
PROFIT FOR THE YEAR		**34,717,985**	**43,587,540**
Other comprehensive (loss)/income:			
Items that will never be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net change in fair value		17,869	-
Items that may be reclassified subsequently to profit or loss:			
Securities fair value reserve:			
- Net change in fair value		(4,025,339)	21,388,523
- Net change in fair value transferred to profit or loss		(94,997)	(2,185,969)
Foreign currency exchange differences on translation to presentation currency		(28,989)	(883,304)
Unrealised gain less losses on hedging		-	6,673
Amortisation of revaluation reserve for investment securities available for sale reclassified to loans to customers		-	(2,016,907)
Other comprehensive (loss)/income for the year		**(4,131,456)**	**16,309,016**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**30,586,529**	**59,896,556**
Total comprehensive income attributable to:			
- owners of the Holding		30,586,592	59,976,853
- non-controlling interests		(63)	(80,297)
Total comprehensive income for the year		**30,586,529**	**59,896,556**
Basic and diluted earnings per share (Tenge)	**27**	41	53

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2). As a result of adoption of IFRS 9 the Holding changed presentation of certain captions, comparative information is re-presented accordingly (Note 2).

(In thousands of Kazakhstani Tenge)	**Share capital**	**Securities fair value reserve**	**Revaluation reserve for financial assets reclassified from "investment securities at fair value through other comprehensive income" to "loans to customers"**	**Foreign currency translation reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Attributable to owners of the Holding									
Balance at 1 January 2018	**846,218,712**	**(12,562,781)**	**914,412**	**3,780,435**	**108,407,533**	**7,169,251**	**97,231,129**	**1,051,158,691**	**691,813**	**1,051,850,504**
Impact of adopting IFRS 9 as at 1 January 2018 (see Note 6)*	-	4,384,508	(914,412)	-	-	-	(49,379,344)	(45,909,248)	-	(45,909,248)
Restated balance as at 1 January 2018	**846,218,712**	**(8,178,273)**	**-**	**3,780,435**	**108,407,533**	**7,169,251**	**47,851,785**	**1,005,249,443**	**691,813**	**1,005,941,256**
Profit for the year	-	-	-	-	-	-	34,718,048	34,718,048	(63)	34,717,985
Other comprehensive loss	-	(4,102,467)	-	(28,989)	-	-	-	(4,131,456)	-	(4,131,456)
Total comprehensive income for the year	**-**	**(4,102,467)**	**-**	**(28,989)**	**-**	**-**	**34,718,048**	**30,586,592**	**(63)**	**30,586,529**
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	(621,559)	(621,559)
Recognition of discount on loans from the Government, less taxes of Tenge 6,318,617 thousand (Note 23)	-	-	-	-	25,274,468	-	-	25,274,468	-	25,274,468
Accrual of reserve capital	-	-	-	-	-	794,759	(794,759)	-	-	-
Balance at 31 December 2018	**846,218,712**	**(12,280,740)**	**-**	**3,751,446**	**133,682,001**	**7,964,010**	**81,775,074**	**1,061,110,503**	**70,191**	**1,061,180,694**

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2).

	Attributable to owners of the Holding										
(In thousands of Kazakhstani Tenge)	**Share capital**	**Revaluation reserve for investment securities available for sale**	**Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"**	**Foreign currency translation reserve**	**Hedging reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2017	**802,318,712**	**(31,765,335)**	**2,931,319**	**4,663,739**	**(6,673)**	**102,742,890**	**24,869,011**	**36,820,284**	**942,573,947**	**822,683**	**943,396,630**
Profit for the year	-	-	-	-	-	-	-	43,667,837	43,667,837	(80,297)	43,587,540
Other comprehensive income	-	19,202,554	(2,016,907)	(883,304)	6,673	-	-	-	16,309,016	-	16,309,016
Total comprehensive income for the year	**-**	**19,202,554**	**(2,016,907)**	**(883,304)**	**6,673**	**-**	**-**	**43,667,837**	**59,976,853**	**(80,297)**	**59,896,556**
Share issue – cash contribution (Note 26)	43,900,000	-	-	-	-	-	-	-	43,900,000	-	43,900,000
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(50,573)	(50,573)
Recognition of discount on loans from the Government, less taxes of Tenge 1,416,161 thousand (Note 23)	-	-	-	-	-	5,664,643	-	-	5,664,643	-	5,664,643
Return of unused compensation	-	-	-	-	-	-	-	3,003,291	3,003,291	-	3,003,291
Discount on financial instruments (Note 9)	-	-	-	-	-	-	-	(3,960,043)	(3,960,043)	-	(3,960,043)
Use of reserve capital	-	-	-	-	-	-	(17,712,311)	17,712,311	-	-	-
Transfers and other movements	-	-	-	-	-	-	12,551	(12,551)	-	-	-
Balance at 31 December 2017	**846,218,712**	**(12,562,781)**	**914,412**	**3,780,435**	**-**	**108,407,533**	**7,169,251**	**97,231,129**	**1,051,158,691**	**691,813**	**1,051,850,504**

(In thousands of Kazakhstani Tenge)	Note	2018	2017*
Cash flows from operating activities			
Interest receipts		254,129,367	232,704,048
Interest payments		(119,537,910)	(104,108,482)
Fee and commission receipts		7,480,402	5,782,626
Fee and commission payments		(7,518,973)	(6,608,598)
Net gain from derivative financial instruments		2,035,512	1,109,547
Net foreign exchange gain	30	2,252,136	432,839
Net insurance premiums written		929,285	835,730
Net insurance claims payments		(249,591)	(98,450)
Other operating income receipts		6,539,574	6,136,945
Administrative and other operating expenses paid		(42,922,460)	(36,842,489)
Income tax paid		(17,067,590)	(7,917,165)
Cash flows from operating activities before changes in operating assets and liabilities		**86,069,752**	**91,426,551**
Net (increase)/decrease in:			
- financial instruments at fair value through profit or loss		20,402,745	2,424,497
- due from banks		24,156,151	225,049,006
- loans to customers		(274,129,621)	(282,971,890)
- finance lease receivables		17,658,647	11,052,401
- other financial assets		(820,245)	(2,859,181)
- other assets		(12,721,428)	(80,584,129)
Net (decrease)/increase in:			
- customer accounts		111,029,624	85,788,164
- other financial liabilities		3,291,205	(7,585,067)
- other liabilities		(11,784,377)	14,330,604
Net cash (used in)/received from operating activities		**(36,847,547)**	**56,070,956**
Cash flows from investing activities			
Acquisition of investment securities		(397,226,691)	(304,992,496)
Proceeds from disposal and redemption of investment securities		349,381,044	286,005,123
Acquisition of property, plant and equipment and intangible assets		(3,571,535)	(2,920,804)
Proceeds from disposal of property, plant and equipment		500,073	174,778
Acquisition of investment property		(6,385,623)	-
Proceeds from disposal of subsidiary, net of cash disposed		200,000	-
Proceeds from disposal of associates and joint ventures		123,138	72,161
Dividends received		3,688,353	1,339,688
Net cash used in investing activities		**(53,291,241)**	**(20,321,550)**

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2).

(In thousands of Kazakhstani Tenge)	Note	2018	2017*
Cash flows from financing activities			
Loans from banks and other financial institutions	22	159,589,632	97,928,869
Repayment of loans from banks and other financial institutions	22	(437,557,739)	(208,052,749)
Loans from the Government of the Republic of Kazakhstan	23	104,756,067	164,069,693
Repayment of loans from the Government of the Republic of Kazakhstan	23	(29,726,415)	(1,540,384)
Proceeds from issuance of ordinary shares	26	-	43,900,000
Proceeds from debt securities issued	20	293,820,715	204,982,280
Repayment/repurchase of debt securities issued	20	(39,167,030)	(112,200,154)
Repayment subordinated debt		-	(10,000,000)
Net cash received from financing activities		**51,715,230**	**179,087,555**
Effect of changes in exchange rates on cash and cash equivalents		11,248,533	5,749,206
Effect of changes in impairment allowance		(751,094)	-
Net (decrease)/increase in cash and cash equivalents		**(27,926,119)**	**220,586,167**
Cash and cash equivalents at the beginning of the year	7	672,098,266	451,512,099
Cash and cash equivalents at end of the year	7	**644,172,147**	**672,098,266**

*The Holding has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition method chosen, comparative information is not restated (Note 2).

1 Introduction

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

The Holding was incorporated in accordance with the Decree of the President of the Republic of Kazakhstan No. 571 "On some measures for optimisation of the management system of development institutes and financial organisations, and development of the national economy" dated 22 May 2013 and the Decree of the Government of the Republic of Kazakhstan No. 516 "About measures for implementation of the Decree of the President of the Republic of Kazakhstan No. 571 dated 22 May 2013" dated 25 May 2013. As at 31 December 2018 and 2017, the ultimate controlling party of the Holding is the Government of the Republic of Kazakhstan.

Principal activity

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

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

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

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

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

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

1 Introduction (continued)

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

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 31 December 2018	Ownership, % 31 December 2017
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

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

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

KE JSC was incorporated in accordance with the Decree of the Government of the Republic of Kazakhstan dated12 May 2003 No. 442. It is the only specialised insurance organisation that performs the functions of export and credit agent of the Republic of Kazakhstan.

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

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

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

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

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

1 Introduction (continued)

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

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

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

Registered address and place of business. The Holding's legal address and place of business is: 55a Mangilik Yel Avenue, Yessil district, Nur-Sultan (Astana), Republic of Kazakhstan.

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

Operating environment of the Holding. The Holding's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan.

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

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

2 Basis of preparation

Statement of compliance. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This is the first set of the Holding's consolidated financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described below in Note 2.

Basis of measurement. These consolidated financial statements are prepared on the historical cost basis, except that financial instruments through other comprehensive income and through profit or loss are stated at fair value (2017: financial assets measured at fair value through profit or loss and financial assets available for sale).

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

Functional and presentation currency. The functional currency of the Holding is the Kazakhstani tenge ("Tenge") as, being the national currency of the Republic of Kazakhstan; it reflects the economic substance of the majority of underlying events and circumstances relevant to the Holding.

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

Financial information presented in Tenge is rounded to the nearest thousand, unless otherwise stated.

Changes in accounting policies and presentation. The Holding has adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Holding's consolidated financial statements.

Due to the transition methods chosen by the Holding in applying IFRS 9, comparative information throughout these consolidated financial statements has not generally been restated to reflect its requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (see Note 6);
- reclassification of separate financial assets and financial liabilities as at the date of initial application (Note 6);
- additional disclosures related to IFRS 7 (see Notes 5 and 6).

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Holding.

2 Basis of preparation (continued)

Changes in accounting policies and presentation (continued)

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Holding has adopted consequential amendments to IAS 1 *'Presentation of Financial Statements'*, which require separate presentation in the consolidated statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method. Previously, the Holding disclosed this amount in notes to the consolidated financial statements.

Additionally, the Holding has adopted consequential amendments to IFRS 7 '*Financial Instruments: Disclosures*' that are applied to disclosures about 2018 but have not been applied to the comparative information.

The key changes to the Holding's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

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). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

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

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Holding classifies financial assets under IFRS 9, see Note 3.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Holding classifies financial liabilities under IFRS 9, see Note 3.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Holding applies the impairment requirements of IFRS 9, see Note 3.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented as at and for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the year ended 31 December 2018 under IFRS 9.
- The Holding used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the consolidated statement of profit or loss, the Holding has reclassified comparative interest income on non-derivative debt financial assets measured at FVTPL and net investments in finance leases to 'other interest income' and changed the description of the line item from 'interest income' to 'interest income calculated using the effective interest method'.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

2 Basis of preparation (continued)

Changes in accounting policies and presentation (continued)

IFRS 9 Financial Instruments (continued)

Transition (continued)

- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Holding has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 6.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 '*Revenue*', IAS 11 '*Construction Contracts and related interpretations*'.

The Holding initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8. The timing or amount of the Holding's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.

3 Summary of significant accounting policies

Except for the changes disclosed in Note 2, the Holding has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

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

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

Interest income and expense

Policy applicable from 1 January 2018

Effective interest rate. Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to*:*

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Holding estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount. The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense. The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Financial assets and financial liabilities (*iv*) below.

3 Summary of significant accounting policies (continued)

Interest income and expense (continued)

Policy applicable from 1 January 2018 (continued)

Presentation. Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost and interest on debt instruments measured at FVOCI.

Other interest income presented in the consolidated statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost and non-derivative financial liabilities measured at FVTPL.

Policy applicable before 1 January 2018

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.

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.

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

Fees and commission.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, letters of credit, servicing of tied borrowings – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

A contract with a customer that results in a recognised financial instrument in the Holding’s consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Holding first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Financial assets and financial liabilities

Financial assets - policy applicable from 1 January 2018

(i) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Financial assets - policy applicable from 1 January 2018 (continued)

(i) Classification (continued)

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

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

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- expected credit loss and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Holding may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Holding 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.

Business model assessment. The Holding makes an assessment of the objective of a business model in which an 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 considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, 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 the assets;
- how the performance of the portfolio is evaluated and reported to the Holding'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 its 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's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are 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 and 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 profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Holding considers the contractual terms of the instrument. This includes 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 considers:

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

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Financial assets - policy applicable from 1 January 2018 (continued)

(i) Classification (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

Non-recourse loans

In some cases, loans made by the Holding that are secured by collateral of the borrower limit the Holding's claim to cash flows of the underlying collateral (non-recourse loans). The Holding applies judgment in assessing whether the non-recourse loans meet the SPPI criterion.

The Holding typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Holding's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Holding will benefit from any upside from the underlying assets.

Reclassification. Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Holding changes its business model for managing financial assets.

Financial assets - policy applicable before 1 January 2018

The Holding classified its financial assets into one of the following categories

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL, and within this category as:
  - held for trading; or
  - designated as at FVTPL.

Financial liabilities

The Holding classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Derecognition

Financial assets. The Holding derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Holding neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Holding enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. In transactions in which the Holding neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Holding continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities. The Holding derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(iii) Modification of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets. If the terms of a financial asset are modified, the Holding evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

The Holding performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Holding assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Holding analogizes to the guidance on the derecognition of financial liabilities.

The Holding concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature) (applicable from 1 January 2018).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Holding plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Holding further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Holding first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities. The Holding derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Holding performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Holding concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(iii) Modification of financial assets and financial liabilities (continued)

Policy applicable from 1 January 2018 (continued)

Financial liabilities (continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018

Financial assets. If the terms of a financial asset were modified, then the Holding evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired (see Note 3 (ii). In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate (see Note 3 (iv).

Financial liabilities. The Holding derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iv) Impairment

See also Note 5.

Policy applicable from 1 January 2018

The Holding recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- net investment in finance lease;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Holding measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (Note 5).

The Holding considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Measurement of ECL. ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

See also Note 5.

Restructured financial assets. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets. At each reporting date, the Holding assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Holding on terms that the Holding would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt (other financial assets) is credit-impaired, the Holding considers the following factors:

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The country’s ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to.

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Policy applicable from 1 January 2018 (continued)

Credit-impaired financial assets (continued)

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- *financial assets measured at amortised cos*t: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs. Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Holding determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'provision for loan portfolio impairment' and 'provision for impairment on other assets and credit related commitments' in the consolidated statement of profit or loss and other comprehensive income.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Holding's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(iv) Impairment (continued)

Policy applicable before 1 January 2018 (continued)

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to time value of money were reflected as a component of interest income.

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

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

Reversal of impairment

- *For loans and receivables*: if an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- *For available-for-sale assets:* if, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through other comprehensive income.

The Holding wrote off a loan or a debt security, either partially or in full, and any related allowance for impairment losses, when the Holding determined that there was no realistic prospect of recovery.

Embedded derivatives

Policy applicable from 1 January 2018

Derivatives may be embedded in another contractual arrangement. The Holding accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

Derivatives may be embedded in another contractual arrangement (a host contract). The Holding accounted for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

Loans to customers

Policy applicable from 1 January 2018

'Loans to customers' caption in the consolidated statement of financial position include:

- loans to customers measured at amortised cost they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans to customers mandatorily measured at FVTPL due to non-compliance with the SPPI-criterion; these are measured at fair value with changes recognised immediately in profit or loss.

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3 Summary of significant accounting policies (continued)

Loans to customers

Policy applicable before 1 January 2018

Loans to customers were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Holding did not intend to sell immediately or in the near term. Loans to customers included: those classified as loans and receivables.

Loans to customers were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Holding chose to designate the loans to customers as measured at FVTPL, they were measured at fair value with fair value changes recognised immediately in profit or loss.

Loans to customers also included finance lease receivables in which the Holding was the lessor.

Investment securities

Policy applicable from 1 January 2018

The 'debt securities' caption in the consolidated statement of financial position includes:

- debt securities measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity securities mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI.

Policy applicable before 1 January 2018

Securities were initially measured at fair value plus, in the case of securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, FVTPL or available-for-sale.

Held-to-maturity. Held-to-maturity investments were non-derivative assets with fixed or determinable payments and fixed maturity that the Holding had the positive intent and ability to hold to maturity, and which were not designated as at FVTPL or as available-for-sale, or meet the definition of loans and receivables. Held-to-maturity investments were carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Holding from classifying debt securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that were so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Holding had collected substantially all of the asset's original principal; and
- sales or reclassifications that were attributable to non-recurring isolated events beyond the Holding's control that could not have been reasonably anticipated.

Fair value through profit or loss. Trading assets were those assets that the Holding acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Trading assets were initially recognised and subsequently measured at fair value in the consolidated statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value were recognised as part of net trading income in profit or loss.

Available-for-sale. Available-for-sale investments were non-derivative investments that were designated as available-for-sale or were not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value could not be measured reliably were carried at cost. All other available-for-sale investments were measured at fair value after initial recognition.

Interest income was recognised in profit or loss using the effective interest method. Dividend income was recognised in profit or loss when the Holding became entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments were recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, were recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment was sold, the gain or loss accumulated in equity was reclassified to profit or loss.

A non-derivative financial asset might be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Holding had the intention and ability to hold that financial asset for the foreseeable future or until maturity.

On initial recognition, available-for-sale investments are measured by the Holding at fair value plus appropriate transaction costs.

3 Summary of significant accounting policies (continued)

***Available-for-sale* (continued)**

Investments classified as available for sale, having quoted prices in active market are subsequently measured at fair value with a revaluation result recognised as other comprehensive income. At that, revaluation for debt financial instruments in this category at foreign exchange rate is recognised in profit and loss accounts.

Financial guarantees and loan commitments. Financial guarantees are contracts that require the Holding to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- *from 1 January 2018*: at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and
- *before 1 January 2018:* at the higher the amount representing the initial fair value amortised over the life of the guarantee or the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Holding has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- *from 1 January 2018*: the Holding recognises a loss allowance;
- *before 1 January 2018*: the Holding recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

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

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

Debt securities issued. Debt securities issued include Eurobonds expressed in US Dollars and other bonds issued by the Holding and its subsidiaries in Kazakhstani Tenge. Debt securities are stated at amortised cost. If the Holding purchases its own debt securities in issue, they are removed from the consolidated statement of financial position, and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

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

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

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

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

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

Income tax. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted using tax rates and provision of law or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in 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 consolidated financial statements are authorised prior to the filing of the relevant tax return. Taxes other than on income are recorded within administrative and other operating expenses.

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

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

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

3 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

	31 December 2018	31 December 2017
US Dollar		
Rate at year end	384.20	332.33
Average rate for the year	344.71	325.98
Russian Rouble		
Rate at year end	5.52	5.77
Average rate for the year	5.50	5.59
Euro		
Rate at year end	439.37	398.23
Average rate for the year	406.66	368.62

3 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

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

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

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

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

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

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

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

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

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

Comparative information. Comparative information is reclassified to conform to changes in presentation of the consolidated financial statements in the current year. In the course of preparation of the consolidated financial statements of the Holding for the year ended 31 December 2017, management made certain classifications which affected comparative information, for the purpose of presentation of the consolidated financial statements for the year ended 31 December 2018.

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

(In thousands of Kazakhstani Tenge)	**As previously reported**	**Reclassification**	**As reclassified**
Consolidated statement of financial position as at 31 December 2017			
Other assets	197,017,038	(11,853,643)	185,163,395
Non-current assets held for sale	18,167,366	11,853,643	30,021,009
Due from banks	480,158,391	(480,158,391)	-
Loans to banks and financial institutions	-	284,059,767	284,059,767
Deposits	-	196,098,624	196,098,624

As a result of adoption of IFRS 9 the Holding changed presentation of certain captions in the primary forms of consolidated financial statements. Comparative information is reclassified to conform to changes in presentation in the current period.

The effect of main changes in presentation of the consolidated statement of financial position is disclosed in Note 6.

The effect of main changes in presentation of the consolidated statement of financial position as at 31 December 2017 is as follows:

- “Investment securities available for sale” was presented within “Investment securities” line item.

The effect of main changes in presentation of the consolidated statement of profit or loss for the year ended 31 December 2017 is as follows:

- The presentation of interest income was amended to present interest on non-derivative financial assets measured at FVTPL separately under ‘other interest income’ line item’.

3 Summary of significant accounting policies (continued)

Comparative information (continued)

The effect of the changes above on the consolidated statement of profit or loss is summarised in the table below:

(In thousands of Kazakhstani Tenge)	**As previously reported**	**Reclassification**	**As reclassified**
Consolidated statement of profit or loss for the year ended 31 December 2017			
Interest income	287,373,119	(287,373,119)	-
Interest income calculated using the effective interest method	-	267,109,716	267,109,716
Other interest income	-	20,263,403	20,263,403
Net loss on financial assets at fair value through profit or loss	(14,698,407)	2,067,369	(12,631,038)
Other operating income, net	10,879,336	(2,067,369)	8,811,967

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 with earlier application permitted; however, the Holding has not early adopted them in preparing these consolidated financial statements, with the exception of the amendment to IFRS 9 affecting prepayment features with negative compensation issued in October 2017.

IFRS 16 Leases. The Holding is required to adopt IFRS 16 *Leases* from 1 January 2019. The Holding has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Holding has not yet finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Holding presents its first consolidated financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Leases in which the Holding is a lessee

The Holding has not completed the assessment of the impact on its consolidated financial statements. For operating lease agreements for which the Holding is a lessee, the Holding does not expect a significant impact on the consolidated financial statements.

As at 31 December 2018 the Holding has no financial lease agreements.

(ii) Leases in which the Holding is a lessor

No significant impact is expected for leases in which the Holding is a lessor.

(iii) Transition

The Holding plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Holding plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

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

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRSs 2015-2017 Cycle–various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

4 Critical accounting estimates and judgments in applying accounting policies

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

Classification of financial assets (applicable to 2018 only): Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments (applicable to 2018 only): Assessment of whether credit risk on the financial asset has increased significantly since initial recognition, assessment of probability of default and loss given default, assessment of expected cash flows forecast for financial instruments classified in stage 3 and incorporation of forward-looking information in the measurement of ECL – Note 5.

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

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

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

Initial recognition of related party transactions. In the normal course of business the Holding enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 41.

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

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

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

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

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

Initial recognition of the borrowings and investments at the rates below market rates under the state development programs. Approach to accounting and evaluation of borrowings and loans made under state programs of the economic development in 2018 is disclosed in Notes 9, 11, 12, 13, 20, 23 and 25.

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

5 Financial risk review

This note presents information about the Holding’s exposure to financial risks. For information on the Holding's financial risk management framework, see Note 35.

Credit risk - Amounts arising from ECL

See accounting policy in Note 3 (iv).

Significant increase in credit risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Holding considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Holding’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to 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 at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Holding uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades. The Holding allocates 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. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of counteragents files – e.g. audited financial statements, management accounts, budgets and projections;
- Payment record – this includes overdue status;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Requests for and granting of forbearance;
- Quoted bond prices for the issuer where available;
- Existing and forecast changes in business, financial and economic conditions;
- Actual and expected significant changes in the political, regulatory and technological environment of the counteragent or in its business activities.

Generating the term structure of PD. Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Holding collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Holding employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly. The Holding assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Holding considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the issuer’s credit rating decreased by 2 points and more since initial recognition.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Holding’s credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria. Such qualitative factors are based on its expert judgement and relevant historical experience.

5 Financial risk review (continued)

Credit risk - Amounts arising from ECL (continued)

Determining whether credit risk has increased significantly (continued)

As a backstop, the Holding considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counteragent.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payments, directed for repayment in the amount of not less than 25% of the gross carrying amount of the financial asset as at the date when the terms have been modified, against the modified contractual terms.

The Holding monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (stage 1) and lifetime ECL measurements (stage 2).

Definition of default. The Holding considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Holding in full, without recourse by the Holding to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Holding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a counteragent is in default, the Holding considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Holding; 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.

Incorporation of forward-looking information. The Holding incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Holding formulates a base scenario of future development of relevant economic variables and also considers a presented selection of other forecast scenarios. This process involves developing two or more additional economic scenarios and considering the appropriate probabilities of occurring of each scenario. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Holding operates, such international organisations as the OECD, International Monetary Fund.

A base scenario is the most likely to occur and it is aligned with information used by the Holding for other purposes. Other are less likely to occur scenarios where some are upside and other downside scenarios.

The Holding has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key driver is GDP forecasts. The economic scenarios included the following key indicators for the Republic of Kazakhstan for the years ending 31 December 2019 through 2023.

	2019	2020	2021	2022	2023
GDP growth (upside scenario)	3.80%	4.00%	4.20%	4.10%	4.56%
GDP growth (base scenario)	3.13%	2.80%	3.30%	3.32%	4.50%
GDP growth (downside scenario)	2.96%	2.50%	3.08%	3.12%	4.48%

Considering that the Holding's historical data on default rates are not sufficient, the Holding uses data from rating agencies as inputs for the economic scenarios. Scenarios are regularly reviewed and are used to assess credit risk grades.

5 Financial risk review (continued)

Credit risk - Amounts arising from ECL (continued)

Modified financial assets. The contractual terms of a financial instrument may be modified for a number of reasons, including changing market conditions, and other factors not related to a current or potential credit deterioration of the counterparty. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policy set out in Note 3(iii).

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:

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Holding renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Holding's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Holding's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Holding's ability to collect interest and principal and the Holding's previous experience of similar forbearance action. As part of this process, the Holding evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired and default event occurred.

A counteragent needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs. The key inputs into the measurement of ECL are the term structure of the following variables:

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Holding estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD is equal to 70%, if a counterparty is a Kazakhstani bank.

LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Holding derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Holding measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Holding considers a longer period. The maximum contractual period extends to the date at which the Holding has the right to require repayment of an advance or terminate a loan commitment or guarantee.

5 Financial risk review (continued)

Credit risk - Amounts arising from ECL (continued)

Measurement of ECLs (continued)

For portfolios in respect of which the Holding has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

(In thousands of Kazakhstani Tenge)	**An exposure as at 31 December 2018**	**External benchmarks used** PD	LGD
Cash and cash equivalents	644,172,147	S&P/Moody's default study	70%
Loans to banks and financial institutions	275,164,588		
Deposits	153,048,495		
Investment securities	583,692,066		S&P/Moody's recovery studies

Credit quality analysis. The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2018. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

(In thousands of Kazakhstani Tenge)	**31 December 2018** Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Cash and cash equivalents				
Cash on hand	2,382,146	-	-	2,382,146
NBRK, unrated	284,587,704	-	-	284,587,704
- rated from AA- to AA+	15,957,208	-	-	15,957,208
- rated from A- to A+	64,619,284	-	-	64,619,284
- rated from BBB- to BBB+	11,754,601	-	-	11,754,601
- rated from BB- to BB+	93,818,036	-	-	93,818,036
- rated from B- to B+	5,406,733	-	-	5,406,733
- D rated	-	-	2,106,159	2,106,159
- not rated	2,941,493	-	632,652	3,574,145
Receivables under reverse repurchase agreements with original maturities of less than three months	162,858,270	-	-	162,858,270
	644,325,475	**-**	**2,738,811**	**647,064,286**
Loss allowance	(182,032)	-	(2,710,107)	(2,892,139)
Total cash and cash equivalents	**644,143,443**	**-**	**28,704**	**644,172,147**
Deposits				
- rated from BBB- to BBB+	17,990,852	-	-	17,990,852
- rated from BB- to BB+	95,684,942	-	-	95,684,942
- rated from B- to B+	39,479,769	151,401	2,065,771	41,696,941
- D rated	-	-	16,416,077	16,416,077
	153,155,563	**151,401**	**18,481,848**	**171,788,812**
Loss allowance	(1,058,094)	(6,634)	(17,675,589)	(18,740,317)
Total deposits	**152,097,469**	**144,767**	**806,259**	**153,048,495**
Loans to banks and financial institutions				
- rated from BB- to BB+	115,349,764	-	-	115,349,764
- rated from B- to B+	142,517,641	-	16,881,755	159,399,396
- D rated	-	-	3,988,787	3,988,787
- not rated	10,341,146	5,998,395	41,229	16,380,770
	268,208,551	**5,998,395**	**20,911,771**	**295,118,717**
Loss allowance	(5,265,683)	(2,895,627)	(11,792,819)	(19,954,129)
Total loans to banks and financial institutions	**262,942,868**	**3,102,768**	**9,118,952**	**275,164,588**

5 Financial risk review (continued)

Credit quality analysis (continued)

	31 December 2018				
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Loans to customers at amortised cost					
- rated from BBB- to BBB+	293,299,446	73,914,041	-	-	367,213,487
- rated from BB- to BB+	405,405,786	28,275,605	-	-	433,681,391
- rated from B- to B+	325,052,719	366,599,104	-	-	691,651,823
- rated from CCC- to CCC+	14,604,240	139,304,332	27,279,176	8,724,351	189,912,099
- rated D	-	-	16,607,425	4,637,151	21,244,576
- not rated	622,242,344	82,437,802	7,270,593	-	711,950,739
	1,660,604,535	**690,530,884**	**51,157,194**	**13,361,502**	**2,415,654,115**
Loss allowance	(7,302,977)	(28,758,594)	(16,022,364)	(6,698,035)	(58,781,970)
Total loans to customers at amortised cost	**1,653,301,558**	**661,772,290**	**35,134,830**	**6,663,467**	**2,356,872,145**
Finance lease receivables (except for embedded derivative)					
- not overdue	249,332,371	1,511,275	13,205,336	-	264,048,982
- overdue less than 30 days	8,622,361	3,554	50,882	-	8,676,797
- overdue more than 31 days and less than 90 days	-	4,432,903	1,909,729	-	6,342,632
- overdue more than 91 days and less than 360 days	-	29,971	3,137,838	-	3,167,809
- overdue more than 1 year	-	-	1,827,697	-	1,827,697
	257,954,732	**5,977,703**	**20,131,482**	**-**	**284,063,917**
Loss allowance	(3,196,544)	(528,923)	(8,917,411)	-	(12,642,878)
Total finance lease receivables (except for embedded derivative)	**254,758,188**	**5,448,780**	**11,214,071**	**-**	**271,421,039**
Investment securities at FVOCI					
NBRK, unrated	5,993,282	-	-	-	5,993,282
- rated from AA- to AA+	6,370,218	-	-	-	6,370,218
- rated from BBB- to BBB+	300,120,042	-	-	-	300,120,042
- rated from BB- to BB+	55,808,008	-	-	-	55,808,008
- rated from B- to B+	5,422,622	-	-	-	5,422,622
- not rated	13,167,032	-	-	-	13,167,032
Total investment securities at FVOCI	**386,881,204**	**-**	**-**	**-**	**386,881,204**
Investment securities at amortised cost					
NBRK, unrated	17,697,456	-	-	-	17,697,456
- rated from BBB- to BBB+	5,375,762	-	-	-	5,375,762
- rated from BB- to BB+	6,074,969	-	-	-	6,074,969
- rated from B- to B+	10,620,244	-	-	7,356,768	17,977,012
- not rated	151,082,668	-	2,102,726	-	153,185,394
	190,851,099	**-**	**2,102,726**	**7,356,768**	**200,310,593**
Loss allowance	(7,633)	-	(2,102,726)	(1,408,406)	(3,518,765)
Total investment securities at amortised cost	**190,843,466**	**-**	**-**	**5,948,362**	**196,791,828**
Other financial assets	**22,340,011**	**212,002**	**971,603**	**-**	**23,523,616**
Loss allowance	(1,364,551)	(11,042)	(967,604)	-	(2,343,197)
Total other financial assets	**20,975,460**	**200,960**	**3,999**	**-**	**21,180,419**
Loan commitments					
- rated from BBB- to BBB+	3,719,758	-	-	-	3,719,758
- rated from BB- to BB+	145,970,258	-	-	-	145,970,258
- rated from B- to B+	12,770,413	100,000	-	-	12,870,413
- rated from CCC- to CCC+	1,105,529	2,974,423	6,731,563	7,032,776	17,844,291
	163,565,958	**3,074,423**	**6,731,563**	**7,032,776**	**180,404,720**
Loss allowance	**914,261**	**113,863**	**2,773,139**	**-**	**3,801,263**

5 Financial risk review (continued)

Credit quality analysis (continued)

(In thousands of Kazakhstani Tenge)	31 December 2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Financial guarantee contracts				
- rated from BB- to BB+	77,335	2,205,570	-	2,282,905
- rated from B- to B+	85,183,321	-	-	85,183,321
- not rated	46,178,404	-	-	46,178,404
	131,439,060	**2,205,570**	-	**133,644,630**
Loss allowance	**1,633,776**	**-**	**-**	**1,633,776**

The following table sets out information about overdue status of loans to customers at amortised cost by credit quality stages:

(In thousands of Kazakhstani Tenge)	31 December 2018 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	POCI	Total
Mortgage loans (unrated)					
- not overdue	619,012,992	73,567,587	2,306,514	-	694,887,093
- overdue less than 30 days	3,427,360	4,874,202	235,140	-	8,536,702
- overdue more than 31 days and less than 90 days	6,101	2,185,218	571,456	-	2,762,775
- overdue more than 91 days and less than 180 days	-	-	738,575	-	738,575
- overdue more than 181 days and less than 1 year	-	-	712,815	-	712,815
- overdue more than 1 year	1,357	-	4,311,422	-	4,312,779
	622,447,810	**80,627,007**	**8,875,922**	**-**	**711,950,739**
Loss allowance	(1,111,764)	(368,911)	(4,883,837)	-	(6,364,512)
Total mortgage loans at amortised cost	**621,336,046**	**80,258,096**	**3,992,085**	**-**	**705,586,227**
Loans to customers, except mortgage loans					
- not overdue	1,038,156,725	609,903,877	24,030,058	8,494,923	1,680,585,583
- overdue more than 31 days and less than 90 days	-	-	-	4	4
- overdue more than 91 days and less than 180 days	-	-	434,063	390	434,453
- overdue more than 181 days and less than 1 year	-	-	-	202,374	202,374
- overdue more than 1 year	-	-	17,817,151	4,663,811	22,480,962
	1,038,156,725	**609,903,877**	**42,281,272**	**13,361,502**	**1,703,703,376**
Loss allowance	(6,191,213)	(28,389,683)	(11,138,527)	(6,698,035)	(52,417,458)
Total loans to customers, except mortgage loans, at amortised cost	**1,031,965,512**	**581,514,194**	**31,142,745**	**6,663,467**	**1,651,285,918**

6 Transition to IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Holding's financial assets and financial liabilities as at 1 January 2018.

(In thousands of Kazakhstani Tenge)	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification	Remeasurement	New carrying amount under IFRS 9
Financial assets							
Cash and cash equivalents	7	Loans and receivables	Amortised cost	672,098,266	-	(155,664)	671,942,602
Other financial instruments at fair value through profit or loss	8	FVTPL (mandatory)	FVTPL (mandatory)	147,403,945	(2,343,360)	-	145,060,585
Loans to banks and financial institutes	9	Loans and receivables	Amortised cost	284,059,767	-	(5,409,704)	278,650,063
Deposits	10	Loans and receivables	Amortised cost	196,098,624	-	(3,073,023)	193,025,601
Loans to customers	11	Loans and receivables	Amortised cost	2,040,393,563	(33,354,636)	(25,221,572)	1,981,817,355
Loans to customers (a)	11	Loans and receivables	FVTPL (mandatory)	-	33,354,636	(16,203,888)	17,150,748
Investment securities (b)	12	Available for sale	FVOCI	561,438,865	(176,803,513)	-	384,635,352
Investment securities (c)	12	Available for sale	Amortised cost	-	164,284,224	2,056,340	166,340,564
Investment securities (d)	12	Available for sale	FVTPL (mandatory)	-	14,862,649	-	14,862,649
Finance lease receivables	13	Loans and receivables	Amortised cost	230,652,747	-	(953,660)	229,699,087
Other financial assets	17	Loans and receivables	Amortised cost	28,711,793	-	(793,307)	27,918,486
Total financial assets				**4,160,857,570**	**-**	**(49,754,478)**	**4,111,103,092**
Financial liabilities							
Customer accounts	19	Amortised cost	Amortised cost	539,309,735	-	-	539,309,735
Debt securities issued	20	Amortised cost	Amortised cost	1,125,979,806	-	-	1,125,979,806
Subordinated debt	21	Amortised cost	Amortised cost	5,381,557	-	-	5,381,557
Loans from banks and other financial institutions	22	Amortised cost	Amortised cost	1,010,188,639	-	-	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	23	Amortised cost	Amortised cost	180,029,399	-	-	180,029,399
Other financial liabilities	24	Amortised cost	Amortised cost	40,245,511	-	2,937,530	43,183,041
Total financial liabilities				**2,901,134,647**	**-**	**2,937,530**	**2,904,072,177**

The Holding's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3. The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Certain financial asset are classified under IFRS 9 as mandatorily measured at FVTPL due to non-compliance with the SPPI criterion.

b. Certain debt securities are held by the Holding in separate portfolios to meet everyday liquidity needs. The Holding seeks to minimise the costs of managing those liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Holding considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

c. Certain debt securities are held by the Holding in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Holding considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.

d. Certain asset-backed securities have contractual cash flows that are not solely payments of principal and interest. These assets are therefore mandatorily measured at FVTPL under IFRS 9.

6 Transition to IFRS 9 (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other components of equity.

(In thousands of Kazakhstani Tenge)	**Impact of adopting IFRS 9 at 1 January 2018**
Securities fair value reserve	
Opening balance under IAS 39 (31 December 2017)	**(12,562,781)**
Reclassification of investment securities from available-for-sale to amortised cost	2,544,724
Reclassification of debt investment securities from available-for-sale to FVTPL	1,773,503
Recognition of expected credit losses under IFRS 9 for debt investment securities at FVOCI	66,281
Opening balance under IFRS 9 (1 January 2018)	**(8,178,273)**
Retained earnings	
Opening balance under IAS 39 (31 December 2017)	97,231,129
Remeasurement due to reclassification of debt investment securities from available-for-sale to FVTPL	(1,773,503)
Remeasurement due to reclassification of loans to customers from loans and receivables to FVTPL	(15,959,703)
Recognition of expected credit losses under IFRS 9 (including cash and cash equivalents, deposits, loans to banks, loans to customers, financial lease receivables and other assets)	(37,520,941)
Tax effect	5,874,803
Opening balance under IFRS 9 (1 January 2018)	**47,851,785**

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

For financial assets, this table is presented by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9, and shows separately the effect of the changes in the measurement category on the loss allowance at the date of initial application of IFRS 9, i.e. as at 1 January 2018.

(In thousands of Kazakhstani Tenge)	**Impairment allowance and provisions**			
	31 December 2017 (IAS 39/IAS 37)	**Reclassifica-tion**	**Remeasure-ment**	**1 January 2018 (IFRS 9)**
Loans and receivables and held to maturity securities under IAS 39/financial assets at amortised cost under IFRS 9 (including cash and cash equivalents, deposits, loans to banks, loans to customers, financial lease receivables and other assets)	(238,228,648)	-	993,300	(237,235,348)
Available-for-sale debt investment securities under IAS 39 reclassified to amortised cost under IFRS 9	-	(2,592,245)	(101,747)	(2,693,992)
Total measured at amortised cost	**(238,228,648)**	**(2,592,245)**	**891,553**	**(239,929,340)**
Debt investment securities available for sale under IAS 39/debt investment securities measured at fair value through other comprehensive income under IFRS 9	(6,694,663)	6,694,663	(66,281)	(66,281)
Total measured at fair value through other comprehensive income	**(6,694,663)**	**6,694,663**	**(66,281)**	**(66,281)**
Available-for-sale debt investment securities under IAS 39/debt investment securities at FVTPL under IFRS 9	(437,743)	437,743	-	-
Total measured at fair value through profit or loss	**(437,743)**	**437,743**	**-**	**-**
Loan commitments and financial guarantee contracts issued	(1,678,847)	-	(2,937,530)	(4,616,377)

7 Cash and cash equivalents

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Cash balances with the NBRK	204,839,693	142,727,420
Receivables under reverse repurchase agreements with original maturities of less than three months	162,858,270	167,868,187
Correspondent accounts and overnight placements with other banks	115,714,898	201,921,328
Current accounts	81,521,268	110,380,696
Notes of NBRK maturing within three months	74,962,021	45,112,914
Mandatory reserves with the NBRK	4,785,990	3,112,569
Cash on hand	2,382,146	3,116,197
Total cash and cash equivalents before impairment allowance	**647,064,286**	**674,239,311**
Less: impairment allowance	(2,892,139)	(2,141,045)
Total cash and cash equivalents	**644,172,147**	**672,098,266**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2018:

(In thousands of Kazakhstani Tenge)	Cash balances with the NBRK, including mandatory reserves	Current accounts	Notes of NBRK maturing within three months	Correspondent accounts and overnight placements with other banks	Total
- NBRK (unrated)	209,625,683	-	74,962,021	-	284,587,704
- AA- to AA+ rated	-	-	-	15,957,208	15,957,208
- A- to A+ rated	-	264,231	-	64,355,053	64,619,284
- BBB- to BBB+ rated	-	11,754,601	-	-	11,754,601
- BB- to BB+ rated	-	58,416,970	-	35,401,066	93,818,036
- B- to B+ rated	-	5,406,620	-	113	5,406,733
- D rated	-	2,106,159	-	-	2,106,159
- unrated	-	3,572,687	-	1,458	3,574,145
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**209,625,683**	**81,521,268**	**74,962,021**	**115,714,898**	**481,823,870**
Less: impairment allowance	(64,563)	(2,808,062)	(15,437)	(4)	(2,888,066)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements after impairment allowance	**209,561,120**	**78,713,206**	**74,946,584**	**115,714,894**	**478,935,804**

7 Cash and cash equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts**	**Notes of NBRK maturing within three months**	**Correspondent accounts and overnight placements with other banks**	**Total**
- NBRK, unrated	145,839,989	-	45,112,914	-	190,952,903
- AA- to AA+ rated	-	-	-	40,191,509	40,191,509
- A- to A+ rated	-	-	-	83,494,464	83,494,464
- BB- to BB+ rated	-	66,174,465	-	78,206,564	144,381,029
- B- to B+ rated	-	36,379,171	-	28,791	36,407,962
- CCC- to CCC+ rated	-	13,454	-	-	13,454
- D rated	-	2,141,045	-	-	2,141,045
- unrated	-	5,672,561	-	-	5,672,561
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**145,839,989**	**110,380,696**	**45,112,914**	**201,921,328**	**503,254,927**
Less: impairment allowance	-	(2,141,045)	-	-	(2,141,045)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements after impairment allowance	**145,839,989**	**108,239,651**	**45,112,914**	**201,921,328**	**501,113,882**

As at 31 December 2018 and 31 December 2017, the Holding entered into reverse repurchase agreements at Kazakhstan Stock Exchange. The subject of these agreements were treasury notes of the Ministry of Finance of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan. The carrying amount of those agreements and fair value of securities pledged amounted to Tenge 162,858,270 thousand and Tenge 167,640,149 thousand, respectively (31 December 2017: Tenge 167,868,187 thousand and Tenge 169,235,334 thousand).

At 31 December 2018 the Holding had one counterparty bank (31 December 2017: one counterparty bank) whose total cash and cash equivalent balances exceed 10% of equity. The total aggregate amount of these balances at 31 December 2018 was Tenge 284,587,704 thousand (31 December 2017: Tenge 190,952,903 thousand) or 44.18% of cash and cash equivalents (31 December 2017: 28.41%).

7 Cash and cash equivalents (continued)

Movements in the impairment allowance of cash and cash equivalents are as follows:

(In thousands of Kazakhstani Tenge)	2018			2017
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	Total	Total
Balance as at 1 January	**-**	**2,141,045**	**2,141,045**	**2,525,737**
Impact of adopting IFRS 9	155,619	45	155,664	-
Impairment allowance charge during the year (Note 32)	17,868	569,017	586,885	93,361
Effect of changes in foreign exchange rates	8,545	-	8,545	-
Write-off	-	-	-	(478,053)
Balance as at 31 December	**182,032**	**2,710,107**	**2,892,139**	**2,141,045**

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

8 Financial instruments at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Derivative financial instruments	12,710,512	73,807,033
Trading securities		
- Corporate bonds	-	2,343,360
Other financial instruments at fair value through profit or loss		
Debt instruments		
- Securities of the Ministry of Finance of the Republic of Kazakhstan	-	1,479,517
- Corporate bonds	-	1,179,806
Equity instruments		
- Investments in funds	117,994,926	68,594,229
Other financial assets	45,867	-
Total financial instruments at fair value through profit or loss	**130,751,305**	**147,403,945**

Derivative financial instruments. Derivative financial instruments comprise foreign currency swaps and cross-currency interest rate swaps with maturity in 2019-2020 (31 December 2017: in 2018-2020) measured at fair value (Note 38).

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

The credit quality of debt securities at fair value through profit or loss may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Corporate bonds	Securities of the Ministry of Finance of the Republic of Kazakhstan	Total
Not past due			
- BBB- to BBB+ rated	2,343,360	1,479,517	3,822,877
- B- to B+ rated	1,179,806	-	1,179,806
Total debt financial instruments at fair value through profit or loss	**3,523,166**	**1,479,517**	**5,002,683**

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

9 Loans to banks and financial institutions

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Loans to banks and financial institutions		
- BB- to BB+ rated	115,349,764	100,592,001
- B- to B+ rated	159,399,396	173,565,327
- CCC- to CCC+ rated	-	14,213,473
- D rated	3,988,787	18,991,491
- unrated	16,380,770	3,485,494
Gross loans to banks and financial institutions	**295,118,717**	**310,847,786**
Less: impairment allowance	(19,954,129)	(26,788,019)
Total loans to banks and financial institutions	**275,164,588**	**284,059,767**

As at 27 November 2018, the Holding had deposits in and loans issued to Tsesnabank JSC amounted to Tenge 81,885,369 thousand. As at that date, due to deterioration of financial position of Tsesnabank JSC, a part of the claim of Tenge 52,272,850 thousand was restructured in accordance with the terms and conditions of the Framework Agreement. As part of such restructuring, the Holding's claims have been exchanged to bonds of Tsesnabank JSC, which have maturity in 10 years and coupon of 4.00% p.a. On 22 January 2019 a new Framework Agreement has been concluded, under which the nominal interest rate on securities was reduced to 0.10% and maturity of was extended to 15 years. The Holding accounted these bonds as credit-impaired on initial recognition in debt securities (Note 12). Fair value of the securities on initial recognition based on terms and conditions of the second Framework Agreement amounted to Tenge 7,356,768 thousand and was calculated using a discounting rate of 16.92% p.a.

With respect to deposits in and loans issued to Tsesnabank JSC, during 2018, the Holding recognised impairment loss of Tenge 48,178,541 thousand in profit or loss. Carrying amount of non-restructured balance of outstanding loans of Tsesnabank JSC, net of allowance for ECL in the amount of Tenge 8,214,124 and net of discount in the amount of Tenge 15,900,345 thousand, amounted to Tenge 5,498,050 thousand as at 31 December 2018.

As at 31 December 2016 the Holding held deposits of Tenge 20,086,055 thousand and had loans issued of Tenge 19,839,930 thousand to Delta Bank JSC (Delta). During 2017, the Holding has concluded trilateral agreements with Delta and several borrowers for the amount Tenge 35,773,596 thousand. Under these agreements all rights of claim from Delta (on previously concluded placement and credit agreements) were passed to the borrowers. During the year ended 31 December 2017, the Holding recognised impairment losses in relation to these borrowers in the amount of KZT 21,998,166 thousand within impairment losses on loans to customers. As at 31 December 2017, the balance of loans issued to Delta amounted to Tenge 4,152,389 thousand, which is fully impaired based on understanding of the Delta's current financial position and the Holding does not expect probable future cash flows.

As at 7 November 2017 the Holding had balances of Tenge 11,142,217 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'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's consolidated statement of financial position as at 31 December 2017 was Tenge 1,723,614 thousand and represented the fair value of the guarantee of Kazakhmys LLP provided to the holders of said securities. As at 31 December 2017 these debt obligations has been classified as investment securities available for sale. Based on the results of the restructuring, the Holding recognised an impairment loss of Tenge 5,359,039 thousand in the consolidated statement of profit or loss and Tenge 3,960,043 thousand in the consolidated 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.

As at 31 December 2017 the Holding had balance of loans issued to Bank RBK JSC, which has not been restructured and not covered by the Framework Agreement. During 2017, the Holding recognised impairment allowance for the loan issued to Bank RBK JSC of Tenge 7,012,493 thousand out of Tenge 11,620,429 thousand, which accounts for 60.62% of the loan gross value. The Holding estimated impairment allowance on the loan issued based on the future cash flows discounted using the initial effective interest rate.

During 2018, due to additional capitalisation of Bank RBK JSC, the Holding recovered allowance for ECL of KZT 2,873,088 thousand related to the loan issued to Bank RBK JSC.

Amounts due from banks are not collateralised.

9 Loans to banks and financial institutions (continued)

Movements in the provision for impairment of loans to banks and other financial institutions are as follows:

(In thousands of Kazakhstani Tenge)	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	Total
Balance as at 1 January	**-**	**-**	**26,788,019**	**26,788,019**	**18,298,813**
Impact of adopting IFRS 9	8,239,317	331,709	(3,161,322)	5,409,704	-
Impairment allowance (recovery)/charge during the year (Note 32)	(2,973,634)	2,563,918	34,446,710	34,036,994	8,489,206
Write-offs	-	-	(46,280,588)	(46,280,588)	-
Balance as at 31 December	**5,265,683**	**2,895,627**	**11,792,819**	**19,954,129**	**26,788,019**

At 31 December 2018 and 2017 the Holding had no outstanding balances of loans to banks and financial institutions whose total balances exceed 10% of equity.

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

10 Deposits

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Deposits		
- BBB- to BBB+ rated	17,990,852	-
- BB- to BB+ rated	95,684,942	71,496,902
- B- to B+ rated	41,696,941	124,457,556
- D rated	16,416,077	15,709,171
- unrated	-	144,166
Gross deposits	**171,788,812**	**211,807,795**
Less: impairment allowance	(18,740,317)	(15,709,171)
Total deposits	**153,048,495**	**196,098,624**

Movements in the provision for impairment of deposits are as follows:

(In thousands of Kazakhstani Tenge)	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total	Total
Balance as at 1 January	**-**	**-**	**15,709,171**	**15,709,171**	**16,039,506**
Impact of adopting IFRS 9	2,511,446	88,432	473,145	3,073,023	-
Impairment allowance (recovery)/charge during the year (Note 32)	(1,481,031)	(81,798)	13,496,095	11,933,266	9,775,416
Effect of changes in foreign exchange rates	27,679	-	1,422,733	1,450,412	(51,571)
Write-offs	-	-	(13,411,943)	(13,411,943)	(6,897,210)
Transfer to loans to customers	-	-	(13,612)	(13,612)	(3,156,970)
Balance as at 31 December	**1,058,094**	**6,634**	**17,675,589**	**18,740,317**	**15,709,171**

At 31 December 2018 and 2017 the Holding had no outstanding balances of placements whose total balances exceed 10% of equity.

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

11 Loans to customers

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Loans to customers at amortised cost		
Corporate loans	1,614,696,297	1,626,535,221
Mortgage loans	709,253,863	513,619,994
Loans issued to small and medium entities (“SME”)	1,787,726	11,864,346
Accrued interest	89,916,229	73,636,102
Gross loans to customers measured at amortised cost	**2,415,654,115**	**2,225,655,663**
Less: impairment allowance on loans	(58,781,970)	(185,262,100)
Total net loans to customers measured at amortised cost	**2,356,872,145**	**2,040,393,563**
Loans to customers measured at fair value through profit or loss	**42,560,471**	**-**
Total loans to customers	**2,399,432,616**	**2,040,393,563**

In determining the fair value of loans to customers measured at fair value through profit or loss, management made assumptions that the following market rates are appropriate for the Holding: from 11.62% to 17.07% in Tenge and 5.72% in USD. None of the loans to customers measured at fair value through profit or loss are past due.

During the year ended 31 December 2018, the Holding acquired mortgage loan portfolios from one commercial bank (2017: two commercial banks and one mortgage organisation). The loans acquired during 2018 were recognised at fair value at the total amount of Tenge 4,940,099 thousand (2017: Tenge 4,129,110 thousand). As at 31 December 2018 mortgage loans portfolio consisted of mortgage loans issued directly in the amount of Tenge 669,182,944 thousand (2017:Tenge 468,008,339 thousand) and of mortgage loans purchased from commercial banks in the amount of Tenge 40,070,919 thousand (2017: Tenge 45,611,655 thousand).

In 2017 the Holding’s management revised classification of Mega Plaza LLP debt as part of the Contract No.07-279/1 dated 28 December 2016 related for purchase and sale of shares in the shopping mall, which was previously classified as finance lease receivable. This loan was issued until 28 May 2034; the effective interest rate under the contract is 10.21%, which was also a market interest rate at the time of loan recognition. As at 31 December 2018 and 2017 the loan was not overdue; the loan was secured by the real estate (a trade center in Nur-Sultan (Astana) with market value exceeding the carrying amount of the loan.

Significant changes in the gross carrying amount of loans measured at amortised cost were as follows:

	2018				
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**POCI Credit-impaired assets at initial recognition**	**Total**
Loans to customers measured at amortised cost - gross carrying amount					
Balance at 1 January	1,380,671,510	588,273,271	171,865,399	15,032,817	2,155,842,997
Impact of adopting IFRS 9 write-offs	-	-	(103,762,008)	-	(103,762,008)
Transfer to Stage 2	(111,431,091)	111,773,434	(342,343)	-	-
Transfer to POCI	-	(1,062,196)	-	1,062,196	-
New financial assets originated or purchased*	743,275,115	96,873,114	396,505	73,261	840,617,995
Other changes**	(408,406,374)	(158,781,110)	(4,493,555)	(3,319,223)	(575,000,262)
Write-offs	(206)	-	(17,043,834)	(21,407)	(17,065,447)
Financial assets that have been derecognised	-	(14,552,314)	-	-	(14,552,314)
Unwinding of discount on present value of ECLs	-	-	1,061,420	-	1,061,420
Foreign exchange difference	56,495,581	68,006,685	3,475,610	533,858	128,511,734
Balance at 31 December	**1,660,604,535**	**690,530,884**	**51,157,194**	**13,361,502**	**2,415,654,115**

*The movement comprise new financial assets created during the year including transfer of the loans from stage to stage
**The movement comprise, mainly, repayments and accrual of interest income

11 Loans to customers (continued)

Movement in loss allowance for loans for the years ended 31 December 2018 and 2017 is as follows:

(In thousands of Kazakhstani Tenge)	2018 Stage 1 12-month expected credit losses	2018 Stage 2 Life-time expected credit losses for credit unimpaired assets	2018 Stage 3 Life-time expected credit losses for credit impaired assets	2018 Credit-impaired assets at initial recognition	2018 Total	2017 Total
Balance at 1 January	14,269,102	7,499,636	133,828,885	29,664,477	185,262,100	146,761,788
Impact of adopting IFRS 9	(4,794,659)	21,592,967	(402,211)	(27,632,555)	(11,236,458)	-
Impact of adopting IFRS 9 write-offs			(103,762,008)	-	(103,762,008)	-
Transfer to between Stages	(737,133)	437,299	299,834	-	-	-
New financial assets originated or purchased	3,264,962	19,582,092	6,693	-	22,853,747	-
Net (recovery) charge of loss allowance	(5,588,926)	(16,649,576)	136,976	4,597,022	(17,504,504)	38,075,894
Transfer from placements with banks and other financial institutions	-	-	-	-	-	3,942,222
Write-offs	-	-	(17,043,834)		(17,043,834)	(3,226,956)
Financial assets that have been derecognised	-	(5,197,955)	-	-	(5,197,955)	-
Unwinding of discount on present value of expected credit losses	-	-	1,061,420	-	1,061,420	-
Recovery of amounts previously written off	-	-	-	-	-	7,488
Effect of changes in foreign exchange rates	880,887	1,494,131	1,896,609	69,091	4,340,718	340,213
Other changes	8,744	-	-	-	8,744	(638,549)
Balance at 31 December	**7,302,977**	**28,758,594**	**16,022,364**	**6,698,035**	**58,781,970**	**185,262,100**

As at 1 January 2018 the Holding has written off loans to customers in the amount of Tenge 103,762,008 thousand as the management determined that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Comparative amounts for 2018 represent allowance account for losses and reflect measurement basis under IAS 39.

Credit quality

The following table provides information on the credit quality of the loan portfolio at 31 December 2018 and 31 December 2017:

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Loans to customers		
Rated BBB- to BBB+	367,213,487	327,976,362
Rated from BB- to BB+	433,681,391	216,839,616
Rated from B- to B+	691,651,823	812,960,077
Rated from CCC- to CCC+	189,912,099	213,369,424
Rated D	21,244,576	137,874,961
Not rated*	711,950,739	516,635,223
Gross loans to customers	**2,415,654,115**	**2,225,655,663**
Impairment allowance	(58,781,970)	(185,262,100)
Net loans to customers	**2,356,872,145**	**2,040,393,563**

*Not rated loans to customers are represented by mortgage loans issued to individuals.

11 Loans to customers (continued)

Analysis of collateral

The following tables provide information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral:

31 December 2018 *(In thousands of Kazakhstani Tenge)*	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed during the reporting period**	**Fair value of collateral – for collateral assessed before the reporting period**
Stage 1 (12-month expected credit losses)			
Cash and deposits	448,835	448,835	-
Government guarantees	18,388,882	18,388,882	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	375,576,901	-	-
Bank guarantees and guarantees received from legal entities (not rated)	147,193,388	-	-
Vehicles	94,877	94,877	-
Real estate	181,324,725	11,039,713	170,285,012
Equipment	8,006,638	824,771	7,181,867
Equity share	1,753,928	1,753,928	-
Other collateral	101,992,376	4,667,057	97,325,319
Future assets	154,198,717	24,520,730	129,677,987
Securities	43,191,764	43,191,764	-
Total Stage 1 (12-month expected credit losses)	**1,032,171,031**	**104,930,557**	**404,470,185**
Stage 2 (Life-time expected credit losses for credit unimpaired assets)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	87,127,798	-	-
Bank guarantees and guarantees received from legal entities (not rated)	4,000,001	-	-
Vehicles	415,950	56,372	359,578
Real estate	302,746,602	196,499,210	106,247,392
Equipment	158,900,681	101,889,078	57,011,603
Other collateral	5,095,610	1,905,040	3,190,570
Future assets	21,381,680	-	21,381,680
Total Stage 2 (Life-time expected credit losses for credit unimpaired assets)	**579,668,322**	**300,349,700**	**188,190,823**
Stage 3 (Life-time expected credit losses for credit impaired assets)			
Vehicles	138,586	138,586	-
Real estate	22,812,465	20,530,669	2,281,796
Equipment	9,801,994	9,801,994	-
Total Stage 3 (Life-time expected credit losses for credit impaired assets)	**32,753,045**	**30,471,249**	**2,281,796**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,159,502	-	-
Vehicles	81,706	852	80,854
Real estate	4,846,058	881,543	3,964,515
Total POCI-assets	**6,087,266**	**882,395**	**4,045,369**

11 Loans to customers (continued)

Analysis of collateral (continued)

31 December 2017 *(In thousands of Kazakhstani Tenge)*	**Corporate loans, carrying amount**	**Fair value of collateral: for collateral assessed as at reporting date**	**Fair value of collateral: for collateral assessed before reporting date**
Neither past due nor impaired corporate loans			
Cash and deposits	2,455,276	2,455,276	-
Government guarantees	9,485,057	9,485,057	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	301,825,718	301,825,718	-
Bank guarantees and guarantees received from legal entities (not rated)	228,531,564	228,531,564	-
Motor vehicles	1,171,218	118,386	1,052,832
Real estate	329,435,193	94,874,924	305,465,605
Equipment	123,826,269	7,064,313	116,761,956
Shares, equity	103,495,091	5,823,510	97,671,581
Future assets	179,973,822	29,342,116	150,631,706
Securities	75,577,140	75,577,140	-
Other collateral	4,046,407	3,306,416	739,991
No collateral or other credit enhancement	7,860,458	-	-
Total neither past due nor impaired corporate loans	**1,367,683,213**	**758,404,420**	**672,323,671**
Impaired corporate loans			
Cash and deposits	452,457	452,457	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	2,861,671	2,861,671	-
Bank guarantees and guarantees received from legal entities (not rated)	17,000,000	-	-
Goods in turnover	3,190,570	-	3,190,570
Motor vehicles	1,543,490	-	1,543,490
Real estate	58,308,838	-	58,308,838
Equipment	57,534,264	-	57,534,264
Other collateral	13,817,277	-	13,817,277
No collateral or other credit enhancement	4,321,259	-	-
Total impaired corporate loans	**159,029,826**	**3,314,128**	**134,394,439**
Total corporate loans	**1,526,713,039**	**761,718,548**	**806,718,110**

The tables above exclude overcollateralisation.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders, are not considered for impairment assessment purposes.

The recoverability of credit-unimpaired loans to corporate customers is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Holding does not necessarily update the valuation of collateral as at each reporting date.

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

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

The fair value of mortgage loans exceeded the carrying amount less impairment allowance by mortgage loans as at 31 December 2018 and 2017.

11 Loans to customers (continued)

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

(In thousands of Kazakhstani Tenge)	31 December 2018 Amount	31 December 2018 %	31 December 2017 Amount	31 December 2017 %
Mortgage	789,812,001	32.13	577,130,340	25.93
Oil and gas industry	662,621,709	26.96	575,130,782	25.84
Mining, metallurgical industry and mineral resources	491,478,803	19.99	583,635,121	26.22
Power energy and electricity distribution	254,157,707	10.34	94,295,316	4.24
Chemical industry	64,744,196	2.63	71,582,311	3.22
Transportation and warehousing	58,551,453	2.38	41,073,088	1.85
Telecommunications	51,251,914	2.08	59,277,457	2.66
Food processing	21,556,736	0.88	22,011,055	0.99
Engineering	19,622,594	0.80	37,101,610	1.67
Agriculture	18,737,624	0.76	74,051,407	3.33
Construction	15,372,846	0.63	32,022,609	1.44
Wholesale and retail trade	242,098	0.01	9,696,346	0.44
Textile manufacturing	43,713	0.00	5,747,173	0.26
Accommodation and meals	24,531	0.00	285,349	0.01
Pulp and paper industry	-	0.00	10,714,118	0.48
Other	9,996,661	0.41	31,901,581	1.43
Gross loans to customers	**2,458,214,586**	**100.00**	**2,225,655,663**	**100.00**
Less: impairment allowance	(58,781,970)		(185,262,100)	
Total loans to customers	**2,399,432,616**		**2,040,393,563**	

Repossessed collateral. The Holding obtained certain assets by taking possession of collateral for loans to corporate customers and mortgage loans. As at 31 December 2018 the carrying amount of such assets was Tenge 2,548,929 thousand (31 December 2017: Tenge 2,211,645 thousand), the repossessed collateral comprises non-current assets held for sale of Tenge 1,602,314 thousand (31 December 2017: Tenge 1,013,814 thousand), investment property of Tenge 647,704 thousand (31 December 2017: Tenge 917,489 thousand) and other assets of Tenge 298,911 thousand (31 December 2017: Tenge 280,342 thousand).

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

Significant credit exposures. As at 31 December 2018 the Holding had 3 borrowers (31 December 2017: 2 borrowers) with the total amount issued to each borrower in excess of 10% of capital of the Holding. The gross value of these loans was Tenge 630,495,327 thousand (31 December 2017: Tenge 294,732,924 thousand) or 26.28% of loan portfolio less impairment allowance (31 December 2017: 14.44%). The outstanding debt of entities guaranteed by the state, subsidiaries of government entities or large commercial corporations listed on international stock markets or with a high credit ratings comprised Tenge 482,253,083 thousand as at 31 December 2018 (31 December 2017: Tenge 314,172,446 thousand).

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

12 Investment securities

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Investment securities measured at fair value through other comprehensive income	386,900,238	-
Investment securities measured at amortised cost	196,791,828	-
Investment securities measured at fair value through profit or loss	17,980,067	-
Investment securities available for sale	-	561,438,865
Total investment securities	**601,672,133**	**561,438,865**

See Note 5 for credit quality of investment securities portfolio.

12 Investment securities (continued)

Investment securities measured at fair value through other comprehensive income

(In thousands of Kazakhstani Tenge)	**31 December 2018**
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB-)	267,066,297
Bonds of NWF “Samruk-Kazyna” JSC (BB- to BBB-)	32,730,003
Bonds of Kazakhstani banks (B to BB)	28,668,144
Bonds of other states (BBB- to AA)	16,734,899
Bonds of banks from OECD countries (BBB- to AA)	15,826,478
Bonds of regional authorities (unrated)	13,023,786
Corporate bonds (B+ to BB+)	6,838,315
NBRK notes (unrated)	5,993,282
Total debt investment securities measured at fair value through other comprehensive income	**386,881,204**
Corporate shares	19,034
Total investment securities measured at fair value through other comprehensive income	**386,900,238**

Investment securities measured at amortised cost

(In thousands of Kazakhstani Tenge)	**31 December 2018**
Bonds of regional authorities (unrated)	151,082,668
NBRK notes (unrated)	17,697,456
Bonds of Kazakhstani banks (B- to B+)	10,620,244
Bonds of Kazakhstani banks (POCI-asset)	7,356,768
Bonds of NWF “Samruk-Kazyna” JSC (BB- to BB+)	6,074,969
Bonds of the Ministry of Finance of the Republic of Kazakhstan	5,375,762
Corporate bonds (unrated)	2,102,726
Investment securities measured at amortised cost before impairment allowance	**200,310,593**
Less: impairment allowance	(3,518,765)
Total investment securities measured at amortised cost	**196,791,828**

Investment securities measured at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	**31 December 2018**
Bonds of Kazakhstani banks (BB- to BB+)	9,788,775
Corporate bonds (unrated)	4,239,698
Bonds of Kazakhstani banks (B- to B+)	3,002,714
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB-)	948,880
Total investment securities measured at fair value through profit or loss	**17,980,067**

Bonds of regional authorities. During 2018 the Holding purchased 98,024,096 bonds issued by the regional authorities at the value of Tenge 1,000 per one bond, which mature in 2020. The bonds bear a coupon rate of 0.35% p.a. Bonds were recognised at fair value of Tenge 85,722,815 thousand measured using a market rate of 8.10%-8.90% p.a. Loss from discount on difference between the nominal value and fair value in the amount of Tenge 11,787,791 thousand was compensated through decrease in the liability for government grant received to purchase these bonds (Note 25). During 2018 regional authorities repurchased bonds for the amount of Tenge 44,048,146 thousand in accordance with the schedule.

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

12 Investment securities (continued)

Investment securities measured at amortised cost (continued)

Movements in the impairment allowance on investment securities measured at amortised cost are as follows:

(In thousands of Kazakhstani Tenge)	2018			
	Stage 1 12-month ECL	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Balance as at 1 January	**-**	**7,132,406**	**-**	**7,132,406**
Impact of adopting IFRS 9 (reclassification)	-	(4,463,796)	-	(4,463,796)
Impact of adopting IFRS 9 (measurement)	46,629	-	-	46,629
Impairment allowance (reversal)/charge during the year (Note 32)	(38,996)	(71,484)	1,408,406	1,297,926
Write-offs	-	(494,400)	-	(494,400)
Balance as at 31 December	**7,633**	**2,102,726**	**1,408,406**	**3,518,765**

Investment securities available for sale

(In thousands of Kazakhstani Tenge)	**31 December 2017**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	240,533,998
Bonds of regional authorities	111,825,654
Bonds of NWF “Samruk-Kazyna” JSC	73,814,912
NBRK notes	52,728,856
Bonds of Kazakhstani banks	47,191,189
Corporate bonds	22,630,557
Bonds of banks from OECD countries	19,119,342
Bonds of other states	247,610
Debt securities before impairment allowance	**568,092,118**
Corporate shares	479,153
Total investment securities available for sale before impairment allowance	**568,571,271**
Less: impairment allowance	(7,132,406)
Total investment securities available for sale	**561,438,865**

During 2017 the Holding recognised impairment allowance charge in the amount of Tenge 1,225,172 thousand (Note 32).

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

12 Investment securities (continued)

Investment securities available for sale (continued)

The credit quality of debt financial instruments available for sale may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Bonds of the Ministry of Finance of the RK and SWF "Samruk-Kazyna" JSC and NBRK Notes	Debt securities of other states	Bonds of Kazakhstani banks	Corporate bonds	Bonds of banks from OECD countries	Bonds of regional authorities	Total
Neither past due nor impaired							
Notes of NBRK, unrated	52,728,856	-	-	-	-	-	52,728,856
- AA- to AA+ rated	-	247,610	-	-	-	-	247,610
- BBB- to BBB+ rated	288,755,916	-	-	2,241,318	19,119,342	-	310,116,576
- BB- to BB+ rated	25,592,994	-	29,679,696	2,970,561	-	-	58,243,251
- B- to B+ rated	-	-	15,728,465	7,479,896	-	-	23,208,361
- unrated	-	-	-	5,067,393	-	111,825,654	116,893,047
Total neither past due nor impaired	**367,077,766**	**247,610**	**45,408,161**	**17,759,168**	**19,119,342**	**111,825,654**	**561,437,701**
Debt securities individually determined to be impaired (gross)							
- over 360 days overdue	-	-	1,783,028	4,871,389	-	-	6,654,417
Total individually impaired debt securities	**-**	**-**	**1,783,028**	**4,871,389**	**-**	**-**	**6,654,417**
Less: impairment allowance	-	-	(1,783,028)	(4,871,389)	-	-	(6,654,417)
Total debt securities available for sale	**367,077,766**	**247,610**	**45,408,161**	**17,759,168**	**19,119,342**	**111,825,654**	**561,437,701**

13 Finance lease receivables

The components of net investments in finance lease as at 31 December 2018 and 2017 are as follows:

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Less than one year	43,779,660	37,060,702
From one to five years	145,707,052	127,645,572
More than five years	240,264,981	221,140,845
Minimum lease payments	**429,751,693**	**385,847,119**
Less: unearned finance income		
Less than one year	(17,036,187)	(14,785,418)
From one to five years	(66,049,817)	(64,023,257)
More than five years	(62,601,772)	(69,361,191)
Less unearned finance income, total	**(145,687,776)**	**(148,169,866)**
Loss allowance	(12,642,878)	(7,024,506)
Net investment in finance lease	**271,421,039**	**230,652,747**
Embedded derivative financial instrument at fair value through profit or loss	3,834,190	-
Finance lease receivables	**275,255,229**	**230,652,747**

As at 31 December 2018 the Holding has 10 lessees or 4 groups of related lessees, whose balances make 49% of total carrying amount of the lease receivables. As at 31 December 2018 the total carrying amount of receivables from these lessees is Tenge 55,601,577 thousand (31 December 2017: Tenge 57,739,185 thousand). As at 31 December 2018 up to 73% of the total carrying amount relate to the group of National Company “Kazakhstan Temir Zholy” JSC (“KTZh”) and the company, which is economically dependent on KTZh, for the total amount of Tenge 40,491,309 thousand (2017: 57% of carrying amount in the amount of Tenge 32,715,687 thousand), that results in certain risk of credit concentration due to the nature of their business activity and industry specifics.

Movements in the impairment allowance for finance lease receivables are as follows:

(In thousands of Kazakhstani Tenge)	2018	2017
Balance as at 1 January	**7,024,506**	**7,446,180**
Effect from transition to IFRS 9 as at 1 January 2018	953,660	-
Net charge of impairment allowance (Note 32)	4,601,477	1,543,076
Amounts written off during the year as uncollectible	(55,636)	(551,987)
Recovery of amount previously written off	170,485	-
Transfer to other assets	(51,614)	(1,412,763)
Balance at 31 December	**12,642,878**	**7,024,506**

13 Finance lease receivables (continued)

Embedded financial derivative instruments

The repayment of investment in finance leases of Tenge 9,399,558 thousand and Tenge 16,628,249 thousand is in part linked to any appreciation in the rate of the US Dollar against the Tenge and Russian Ruble against Tenge, respectively (2017: Tenge 11,656,922 thousand and Tenge 15,535,140 thousand is in part linked to any appreciation in the rate of the US Dollar against the Tenge and Russian Ruble against Tenge, respectively). If these foreign currencies appreciate, the amount receivable is increased by the respective index. If these foreign currencies depreciate, the amount receivable is not adjusted below the original outstanding amount in Tenge. Basis for measurement of the embedded derivative includes all future payments under the finance lease agreements and contingent liabilities tied up to the US Dollar and Russian Ruble appreciation, and as at 31 December 2018 and are Tenge 12,248,171 thousand and Tenge 25,558,549 thousand, respectively (31 December 2017: Tenge 13,669,524 thousand and Tenge 29,636,629 thousand, respectively).

These embedded derivative financial instruments are recorded at fair value in the consolidated financial statements. The estimated amount of the embedded derivative, which is included in finance lease receivables as at 31 December 2018 is Tenge 3,834,190 thousand (31 December 2017: Tenge 4,603,837 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 39).

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

- risk-free rates are estimated using the yield curves for respective currencies and range 2.36% to 2.79% for US Dollars, from 8.68% to 11.71% for Russian Ruble and from 8.04% to 8.68% for Tenge (31 December 2017: 1.69% to 2.25% for US Dollars, from 7.54% to 7.88% for Russian Ruble and from 8.83% to 10.00% for Tenge);
- volatility in the model is defined based on the historical six-month observations of fluctuations in the actual foreign exchange rates;
- the model does not include transaction costs.

If the spreads between Tenge and US Dollar risk-free rates narrowed by 0.50% across all the contracts the fair value of the derivatives would have decreased by Tenge 174,678 thousand (31 December 2017: Tenge 197,283 thousand). If the spreads between Tenge and Russian Ruble risk-free rates narrowed by 0.50% across all the contracts the fair value of the derivatives would have decreased by Tenge 79,768 thousand. Decrease of US Dollar exchange rate volatility by 50% would result in increase of the fair value of derivatives by Tenge 2,541 thousand (31 December 2017: Tenge 4,414 thousand). Decrease of Russian Ruble exchange rate volatility by 50% would result in decrease of the fair value of derivatives by Tenge 336,098 thousand.

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2018:

(In thousands of Kazakhstani Tenge)	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**At FVPL (embedded financial derivative)**	**Total**
Finance lease receivables					
- not overdue	249,332,371	1,511,275	13,205,336	3,834,190	267,883,172
- overdue less than 30 days	8,622,361	3,554	50,882	-	8,676,797
- overdue more than 31 days and less than 90 days	-	4,432,903	1,909,729	-	6,342,632
- overdue more than 91 days and less than 360 days	-	29,971	3,137,838	-	3,167,809
- overdue more than 1 year	-	-	1,827,697	-	1,827,697
Gross finance lease	**257,954,732**	**5,977,703**	**20,131,482**	**3,834,190**	**287,898,107**
Loss allowance	(3,196,544)	(528,923)	(8,917,411)	-	(12,642,878)
Total finance leases	**254,758,188**	**5,448,780**	**11,214,071**	**3,834,190**	**275,255,229**

13 Finance lease receivables (continued)

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	**Total**
Neither past due nor impaired	**214,011,502**
Past due but not impaired	
- less than 30 days overdue	6,537,785
- 30 to 90 days overdue	2,560,317
- over 360 days overdue	-
Total balances past due but not impaired	**9,098,102**
Receivables individually determined to be impaired (gross)	
- not overdue	12,280,794
- less than 30 days overdue	-
- 31 to 90 days overdue	-
- 91 to 180 days overdue	112,424
- 181 to 360 days overdue	779,467
- over 360 days overdue	1,394,964
Total balances individually impaired (gross)	**14,567,649**
Less: impairment allowance	(7,024,506)
Total finance lease receivables	**230,652,747**

Analysis of collateral. The following tables provides information on collateral, leased assets and other credit enhancements related to finance lease receivables (net of loss allowance and excluding embedded financial derivative instrument) as at 31 December 2018, by types of collateral:

(In thousands of Kazakhstani Tenge)	**Finance lease receivables, carrying amount**	**Fair value of collateral - for collateral assessed as of reporting date**
Lease under which ECL are measured on the basis of 12-month ECL:		
Real estate	160,202,222	160,202,222
Motor vehicles	71,213,161	71,213,161
Equipment	14,279,518	14,279,518
Guarantees from legal entities (rated from BB- to BBB-)	4,555,285	-
No collateral or other credit enhancement	4,508,002	-
Total lease under which the ECL are within 12 month:	**254,758,188**	**245,694,901**
Lease under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets:		
Real estate	4,103,859	4,103,859
Motor vehicles	452,911	452,911
Equipment	624,327	624,327
No collateral or other credit enhancement	267,683	-
Total lease, under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets	**5,448,780**	**5,181,097**
Lease under which ECL are measured on the basis of lifetime ECL for credit-impaired assets:		
Real estate	3,927,123	3,927,123
Motor vehicles	975,462	975,462
Equipment	6,311,486	6,311,486
Total lease, under which ECL are measured on the basis of lifetime ECL for credit-impaired assets	**11,214,071**	**11,214,071**
Total finance lease receivable	**271,421,039**	**262,090,069**

13 Finance lease receivables (continued)

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment allowance, by types of collateral as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Finance lease receivables, carrying amount	Fair value of collateral: for collateral assessed as at reporting date	Fair value of collateral not determined
Finance lease without individual signs of impairment			
Guarantees of other parties, including loan insurance	7,440,425	7,440,425	-
Real estate	131,612,299	114,779,525	-
Motor vehicles	58,835,992	58,835,992	-
Equipment	7,775,200	7,775,200	-
No collateral or other credit enhancement	6,959,129	-	6,959,129
Total lease without signs of impairment	**212,623,045**	**188,831,142**	**6,959,129**
Impaired lease			
Real estate	8,688,706	8,688,706	-
Motor vehicles	2,797	2,797	-
Equipment	9,338,199	9,338,199	-
Total impaired lease	**18,029,702**	**18,029,702**	**-**
Total finance lease receivables	**230,652,747**	**206,860,844**	**6,959,129**

The tables above exclude overcollateralisation.

The Holding has no finance lease receivables, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and finance lease receivables for which the fair value of collateral is not determined. Information on the valuation of collateral is based on when this estimate was made, if any.

For finance leases secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of lessees of small and medium-sized borrowers, are not considered for impairment assessment purposes. Accordingly, such finance lease receivables and unsecured portions of partially secured exposures are presented as lease without collateral or other credit enhancement.

14 Investment property

(In thousands of Kazakhstani Tenge)	2018	2017
Cost of investment property at 1 January	**12,311,523**	**24,512,412**
Additions	5,936,546	189,882
(Charge for)/recovery of impairment allowance for the year	(29,176)	82,476
Transfer to non-current assets held for sale	(11,344,059)	(193,573)
Transfer to other assets	(82,807)	(11,850,120)
Disposals	(151,623)	-
Other	(9,406)	(429,554)
Cost of investment property at 31 December	**6,630,998**	**12,311,523**

As at 31 December 2018 the fair value of investment property items approximately equals to the carrying value. Fair value of investment property categorises to Level 2 of the fair value hierarchy.

15 Property, plant and equipment

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

(In thousands of Kazakhstani Tenge)	Buildings	Office and computer equipment	Construction in progress	Motor vehicles	Total
Cost as at 1 January 2017	9,027,910	7,872,509	-	642,962	17,543,381
Accumulated depreciation	(1,167,488)	(4,271,147)	-	(417,266)	(5,855,901)
Carrying amount at 1 January 2017	**7,860,422**	**3,601,362**	**-**	**225,696**	**11,687,480**
Additions	25,473	552,065	894,077	33,600	1,505,215
Transfer from non-current assets held for sale (or disposal groups)	1,284,458	612,518	126,775	7,960	2,031,711
Transfer to non-current assets held for sale (or disposal groups)	(2,493,061)	(815,750)	-	(46,941)	(3,355,752)
Disposals	(805)	(26,566)	-	(3,528)	(30,899)
Depreciation charges	(160,206)	(1,164,678)	-	(66,931)	(1,391,815)
Impairment charge	(96,000)	(202,005)	(63,388)	-	(361,393)
Other	(77,941)	888,231	(892,590)	70,603	(11,697)
Cost at 31 December 2017	7,718,698	8,849,577	128,262	630,149	17,326,686
Accumulated depreciation	(1,376,358)	(5,404,400)	(63,388)	(409,690)	(7,253,836)
Carrying amount as at 31 December 2017	**6,342,340**	**3,445,177**	**64,874**	**220,459**	**10,072,850**
Additions	6,145,803	1,972,466	-	212,741	8,331,010
Transfer to non-current assets held for sale (or disposal groups)	(99,366)	(25,612)	-	(1,956)	(126,934)
Disposals	(1,076,884)	(46,982)	-	(8,299)	(1,132,165)
Depreciation charges	(180,282)	(1,282,300)	-	(73,320)	(1,535,902)
Transfers to investment property	(322,665)	-	-	-	(322,665)
Impairment charge	-	(42,780)	(63,387)	-	(106,167)
Other	20,052	10,324	(1,487)	(1,970)	26,919
Cost as at 31 December 2018	11,902,430	9,869,473	126,775	752,881	22,651,559
Accumulated depreciation	(1,073,432)	(5,839,181)	(126,775)	(405,225)	(7,444,613)
Carrying amount as at 31 December 2018	**10,828,998**	**4,030,293**	**-**	**347,655**	**15,206,946**

16 Non-current assets held for sale

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Ready-constructed apartments and parking lots	20,857,019	11,853,643
Property of Textiles.kz JSC	7,357,481	7,357,481
Property of Alatau Technopark JSC	2,508,038	2,416,323
Property of Bulaevsky Elevator LLP	1,260,407	-
Property of Astana-Contract-Paragon LLP	1,005,009	1,005,009
Property of ILNO Group LLP	908,279	908,279
Property of Bogvi LLP	815,004	1,264,930
Property of Nimex LLP	743,313	743,313
Property of Asia Ceramic LLP	447,304	447,304
Property of Kazakhstan Invest Komir JSC	341,908	-
Property of LAD LLP	114,030	648,121
Property of Agricultural holding Zhanabas LLP	134,945	471,214
Property of High Technology Foundation Areket JSC	80,246	-
Property of RT Holding JSC	-	193,573
Other property, plant and equipment	1,036,265	946,587
Other	708,963	1,765,232
Total non-current assets held for sale	**38,318,211**	**30,021,009**

16 Non-current assets held for sale (continued)

The ready-constructed apartments and parking lots constructed as part of the EXPO-2017 state program for further sale to final buyers. These assets have been transferred from investment property and will be further accounted for at the lower of the fair value less selling expenses and carrying amount. The Holding's subsidiary BD JSC's policy provides the sale of said assets as soon as practicable.

During 2018 the Holding partially sold properties of Agricultural holding Zhanabas LLP and Bogvi LLP for Tenge 524,311 thousand and 598,339 thousand including VAT, respectively. Also, during 2018 the Holding concluded the agreement on sales of the property of LAD LLP for Tenge 743,262 thousand payable before 31 March 2019.

In 2017 the Holding sold properties of Bio Operations LLP and Aktobe StroyIndustry LLP in instalments, while properties of IAG-Trade LLP has been sold for Tenge 1,298,339 thousand.

The Holding's management committed to sell the foreclosed property. Accordingly, this property is recognised as non-current asset held for sale. Efforts to sell the disposal group have commenced, and a sale is expected in 2019.

17 Other financial assets

(In thousands of Kazakhstani Tenge)	**31 December 2018**	**31 December 2017**
Instalment payments receivables	14,588,445	15,398,061
Restricted cash	3,248,144	3,224,362
Receivables on banking activities	1,771,342	1,033,767
Loan commitment fee prepaid	855,183	3,441,562
Reinsurance assets	701,756	850,703
Insurance receivables	520,246	574,834
Fee and commission income accrued	348,482	614,455
Receivables on purchase of loan portfolios	7,147	2,849,920
Accrued fines and penalties	2,726	3,292
Receivables on trading transactions	-	397,300
Other	1,489,224	1,627,344
Other financial assets before impairment allowance	**23,532,695**	**30,015,600**
Less: impairment allowance	(2,352,276)	(1,303,807)
Total other financial assets	**21,180,419**	**28,711,793**

Instalment payments receivables. As at 31 December 2018, instalment payments receivables comprise mostly receivables from facilities sold in instalments, which are recognised at fair value at initial recognition by discounting customer contractual debt using estimated market rates in the amount of Tenge 12,509,444 thousand (2017: Tenge 12,060,334 thousand).

Movements in the impairment allowance of other financial assets during 2018 and 2017 are as follows:

(In thousands of Kazakhstani Tenge)	**2018**				**2017**
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL credit unimpaired assets**	**Stage 3 Lifetime ECL credit-impaired**	**Total**	**Total**
Balance as at 1 January	**-**	**-**	**1,303,807**	**1,303,807**	**1,159,430**
Impact of adopting IFRS 9	1,766,823	16,649	(990,165)	793,307	-
Impairment allowance charge during the year (Note 32)	245,898	(3,761)	646,782	888,919	184,971
Effect of changes in foreign exchange rates	6,821	(1,846)	33,206	38,181	288
Write-offs	(654,991)	-	(16,947)	(671,938)	(150,686)
Other	-	-	-	-	109,804
Balance as at 31 December	**1,364,551**	**11,042**	**976,683**	**2,352,276**	**1,303,807**

17 Other financial assets (continued)

Analysis by credit quality of other financial assets at 31 December 2018 is as follows:

(In thousands of Kazakhstani Tenge)	**Receivables**	**Restricted cash**	**Fee and commission income accrued**	**Insurance receivables and reinsurance assets**	**Other**	**Total**
Neither past due	14,445,043	3,132,416	340,598	1,221,721	2,774,726	21,914,504
Past due						
- less than 30 days overdue	376,188	-	-	60	3,465	379,713
- 30 to 90 days overdue	-	-	-	-	4,894	4,894
- 90 to 360 days overdue	-	-	7,630	173	61,985	69,788
- over 360 days overdue	629,544	115,728	254	48	418,222	1,163,796
Less: impairment allowance	(1,626,806)	(115,728)	(25,593)	(48)	(584,101)	(2,352,276)
Total other financial assets	**13,823,969**	**3,132,416**	**322,889**	**1,221,954**	**2,679,191**	**21,180,419**

Analysis by credit quality of other financial assets at 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	**Receivables**	**Restricted cash**	**Fee and commission income accrued**	**Insurance receivables and reinsurance assets**	**Other**	**Total**
Neither past due nor impaired	21,188,226	3,107,249	323,212	1,420,269	1,773,598	27,812,554
Past due but not impaired						
- less than 30 days overdue	501,317	-	-	-	-	501,317
- 30 to 90 days overdue	-	-	-	3,050	2,782	5,832
- 90 to 360 days overdue	-	-	-	2,218	-	2,218
- over 360 days overdue	-	-	-	-	397,300	397,300
Impaired loans:						
- not overdue	-	-	291,243	-	27	291,270
- less than 30 days overdue	-	5	-	-	324	329
- 30 to 90 days overdue	-	2	-	-	295	297
- 90 to 360 days overdue	-	460	-	-	5,773	6,233
- over 360 days overdue	-	116,646	-	-	881,604	998,250
Total impaired	-	117,113	291,243	-	888,023	1,296,379
Less: impairment allowance	-	(117,113)	(70,589)	(48)	(1,116,057)	(1,303,807)
Total other financial assets	**21,689,543**	**3,107,249**	**543,866**	**1,425,489**	**1,945,646**	**28,711,793**

18 Other assets

(In thousands of Kazakhstani Tenge)	**31 December 2018**	**31 December 2017**
Advances for equipment to be transferred under finance lease agreements	70,677,802	75,891,409
Inventory and consumables	28,841,373	34,137,387
Assets to be transferred under finance lease agreements	14,267,863	10,402,470
Construction in progress	5,643,479	23,475,511
Prepayments for construction in progress	5,618,688	33,364,042
Prepayments to suppliers for goods and services	2,142,133	6,038,138
Foreclosed assets under finance lease	1,464,457	1,548,695
Prepaid taxes other than on income	993,654	187,589
Repossessed collateral	807,231	569,207
Prepaid expenses and commissions for loans received	661,251	62,975
Other	860,084	1,868,403
Other assets before impairment allowance	**131,978,015**	**187,545,826**
Less: impairment allowance	(1,609,802)	(2,382,431)
Total other assets	**130,368,213**	**185,163,395**

Advances for equipment to be transferred under finance lease agreements. The sum of advances for equipment to be transferred under finance lease agreements comprises the advances paid to suppliers in the amount of Tenge 65,904,605 thousand (2017: Tenge 65,125,326 thousand) and cash deposited under irrevocable letters of credit in the amount of Tenge 4,773,197 thousand (2017: Tenge 10,766,083 thousand).

Inventory. The Holding has available ready-constructed apartments in residential properties in Aktau, Aktobe, Atyrau, Taraz, Kostanai, Kyzylorda, Kokshetau, Uralsk, Pavladar, Shymkent cities under Nurly Zhol State Programme for Infrastructure Development with total carrying amount of Tenge 28,235,712 thousand (2017: Tenge 31,876,108 thousand). The Holding intends to sell the property in a short term to its individual depositors and to other individuals by means of lease-purchase agreements.

Assets to be transferred under finance lease agreements. Assets to be transferred under finance lease contracts comprise the residential complexes purchased during the reporting period which the Holding is planning to transfer to the lessees in 2019.

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

As at 31 December 2018, the major projects acquired by the Holding are located in Almaty for the total amount of Tenge 2,173,940 thousand (2017: Almaty and Almaty region for the total amount of Tenge 4,695,715 thousand).

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

Prepayments for construction in progress. As at 31 December 2018 the prepayments for work-in-progress comprise advance payments in the amount of Tenge 5,590,390 thousand (2017: Tenge 26,610,917 thousand) for construction of residential houses as a part of the Nurly-Zhol State Program for Infrastructure Development.

Movements in the impairment allowance of other assets during 2018 and 2017 are as follows:

(In thousands of Kazakhstani Tenge)	**2018**	**2017**
Balance as at 1 January	**2,382,431**	**3,491,636**
Net charge of impairment allowance (Note 31)	245,386	166,328
Amounts written off during the year as uncollectible	(980,785)	(1,242,154)
Other	(37,230)	(33,379)
Impairment allowance at 31 December	**1,609,802**	**2,382,431**

19 Customer accounts

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
State and public organisations		
- Current accounts	88,546	603
Other legal entities		
- Advances received as collateral for customer commitments	9,281,932	8,993,210
- Current accounts	1,094,247	3,520,158
Individuals		
- Term deposits	426,289,096	371,298,923
- Saving deposits in lieu of future mortgage acquisitions	199,313,288	151,107,102
- Current accounts/on demand accounts	13,405,236	4,389,739
Total customer accounts	**649,472,345**	**539,309,735**

Term deposits of individuals mainly include housing savings of HCSBK JSC's customers. According to the terms of the Contract on house construction savings, the HCSBK JSC's depositors have the right to receive housing loan in the amount equal to a difference between contract amount and their accumulated deposits, estimated fees and state premium based on the decision of government, in the case if all requirements of signed contract of house construction savings are fulfilled.

20 Debt securities issued

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Other Tenge-denominated bonds	671,772,866	525,407,872
US dollars-denominated Eurobonds	529,437,780	468,752,818
Tenge-denominated Eurobonds	199,976,413	96,662,817
Mortgage bonds	38,599,487	35,156,299
Total debt securities issued	**1,439,786,546**	**1,125,979,806**

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

(In thousands of Kazakhstani Tenge)	Placement date	Date of maturity	Face value 2018	Face value 2017	Carrying amount 2018	Carrying amount 2017
KZ2C0Y20F251 (not listed)	25.03.2016	25.03.2036	202,000,000	202,000,000	61,835,624	57,818,728
KZP01Y20E920 (not listed)	13.03.2015, 31.03.2015	13.03.2035	170,000,000	170,000,000	61,549,827	57,873,853
KZ2C0Y20E676 (not listed)	15.04.2014	15.04.2034	100,000,000	100,000,000	38,711,102	36,418,222
KZ2C0Y20E775 (not listed)	10.12.2014	10.12.2034	100,000,000	100,000,000	37,249,114	35,049,799
KZP01Y30E879 (not listed)	21.01.2015, 16.02.2015	21.01.2045	92,500,000	92,500,000	17,513,584	16,478,351
KZ2C0Y15G093	20.12.2018	27.12.2033	77,700,000	-	77,782,017	-
KZP02Y10E820	25.05.2016	25.05.2026	65,000,000	65,000,000	65,880,907	65,843,003
KZ2C0Y20E742 (not listed)	30.10.2014	30.10.2034	50,000,000	50,000,000	18,382,517	17,275,725
KZPO4M87F618 (not listed)	28.12.2018	03.12.2026	44,544,622	-	25,246,220	-
KZ2C0Y15F871 (not listed)	25.10.2018	on demand	40,150,000	-	40,150,736	-
KZP02Y20E738 (not listed)	26.03.2015	26.03.2035	38,095,125	38,095,125	31,292,745	29,579,933
KZP01Y03F261	10.06.2016	10.06.2019	-	30,000,000	-	30,218,968
KZP01Y07F510	06.06.2017	06.06.2024	28,000,000	28,000,000	28,176,285	28,167,631
KZP01Y20E730 (not listed)	15.07.2014	15.07.2034	23,000,000	23,000,000	21,806,475	20,710,437
KZP02Y30E877 (not listed)	29.01.2016	29.01.2046	22,500,000	22,500,000	4,367,947	4,122,938
KZP01Y09F615 (not listed)	19.10.2017	29.03.2026	21,100,000	21,100,000	11,469,544	10,552,209
KZP01Y10E822	29.12.2014	29.12.2024	20,000,000	20,000,000	20,001,142	19,995,341
KZP02Y05F512	31.05.2017	31.05.2022	20,000,000	20,000,000	20,159,793	20,151,841
KZP02Y10F264	01.08.2016	01.08.2026	17,500,000	17,500,000	18,503,260	18,499,956
KZPO3M89F616 (not listed)	16.10.2018	03.12.2026	15,004,300	-	8,117,696	-
KZP03Y15E827	28.07.2016	28.07.2031	15,000,000	15,000,000	15,945,967	15,937,320
KZP02Y20E928 (not listed)	29.09.2015	29.09.2035	15,000,000	15,000,000	5,178,889	4,866,191
KZ2C0Y20F236 (not listed)	03.02.2016	03.02.2036	15,000,000	15,000,000	4,958,080	4,653,295
KZP03Y20E736 (not listed)	09.03.2016	09.03.2036	15,000,000	15,000,000	3,959,413	3,671,101
KZPO2M92F612 (not listed)	07.12.2018	03.12.2026	10,600,000	-	6,002,970	-
KZP03Y15F510	22.08.2017	22.08.2032	8,836,000	8,836,000	9,179,859	9,177,230
KZP04Y13F519	23.08.2017	23.08.2030	8,836,000	8,836,000	9,181,457	9,178,811
KZP05Y11F518	24.08.2017	24.08.2028	8,836,000	8,836,000	9,169,696	9,166,989
			1,244,202,047	**1,086,203,125**	**671,772,866**	**525,407,872**

20 Debt securities issued (continued)

In 2018, the Holding issued the bonds for the total amount of Tenge 187,998,922 thousand:

- unsecured coupon bonds with nominal value of Tenge 77,700,000 thousand issued on 20 December 2018 with a coupon rate of 9.50% p.a. and maturity in 2033. The funds will be used to finance existing and new programs of HCSBK JSC and to issue mortgage loans through second tier banks.

- unsecured coupon bonds with total nominal value of Tenge 70,148,922 thousand issued on 16 October 2018, 7 December 2018 and 28 December 2018 with a coupon rate of 0.15% p.a. which mature in 8 years. The funds will be used to finance purchase of debt securities issued by the regional authorities of the regions (cities of Nur-Sultan (Astana) and Almaty) for the purpose of construction of the housing real estate and its further purchase;

- unsecured coupon bonds with nominal value of Tenge 40,150,000 thousand issued on 25 October 2018 with a coupon rate of 0.01% p.a. and maturity on demand within 15 years. The funds will be used to finance the construction of the Saryarka gas pipeline.

In 2017, the Holding issued the bonds for the total amount of Tenge 95,608,000 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 regional authorities of the regions (cities of Nur-Sultan (Astana) and Almaty) for the purpose of construction of the housing real estate and its further purchase;

- unsecured coupon bonds with a nominal value of Tenge 20,000,000 thousand issued on 31 May 2017 with a coupon rate of 10.50% p.a. (effective interest rate – 10.53%) which mature on May 2022;

- unsecured coupon bonds with a nominal value of Tenge 28,000,000 thousand issued on 6 June 2017 with a coupon rate of 10.50% p.a. (effective interest rate – 10.95%) which mature on maturity of June 2024;

- unsecured coupon bonds with a nominal value of Tenge 8,836,000 thousand issued on 22 August 2017 with a coupon rate of 11.25% p.a. (effective interest rate – 11.27%) which mature on maturity of August 2032;

- unsecured coupon bonds with a nominal value of Tenge 8,836,000 thousand issued on 23 August 2017 with a coupon rate of 11.25% p.a. (effective interest rate – 11.26%) which mature on maturity of August 2030;

- unsecured coupon bonds with a nominal value of Tenge 8,836,000 thousand issued on 24 August 2017 with a coupon rate of 11.00% p.a. (effective interest rate – 11.50%) which mature on maturity of August 2028.

In accordance with the above-mentioned programs of state support and development, the Council for Management of the National Fund of the Republic of Kazakhstan sets terms and conditions for financing in the form of interest rates, financing schedule and related requirements for the Holding and commercial banks acting as program agents and end-use borrowers. In addition, the Government has approved special conditions, under which the Holding may provide further financing to the commercial banks and companies. For this reason, the difference that has arisen upon valuation of bonds purchased by the NBRK on behalf of the National Fund of the Republic of Kazakhstan in 2018 at the fair value at the placement date, was recognised as a government subsidy, as the NBRK acted in the interests of the Government and not the Holding's ultimate shareholder, because all terms and conditions of the loans have been agreed on at the Government level in the resolution concerning financing of the above-mentioned programs, and the Government does not expect any direct economic benefits from these programs in its capacity of the Holding's shareholder as the ultimate beneficiaries are the subjects specified by the programs. Thus, in 2018 the Holding accounted for the income of Tenge 31,170,408 thousand (2017: Tenge 10,728,233 thousand), recognised in other liabilities in the consolidated statement of financial position (Note 25).

In determining the fair value of the issued bonds upon initial recognition, the Holding has applied the market interest rates from 8.42% to 9.14% p.a. (2017: 9.01% p.a.).

US dollars-denominated Eurobonds. Eurobonds comprise the following bonds issued by the Holding's subsidiary, DBK JSC:

- medium-term bonds with nominal value of USD 1,000,000 thousand issued on 10 December 2012 at coupon rate of 4.13% p.a. which mature in December 2022;
- long-term bonds with nominal value of USD 100,000 thousand issued on 3 June 2005 at coupon rate of 6.50% p.a. which mature in June 2020;
- long-term bonds with nominal value of USD 97,416 thousand issued on 23 March 2006 at coupon rate of 6.00% p.a. which mature in March 2026.

Tenge-denominated Eurobonds. Eurobonds comprise the following bonds issued by the Holding's subsidiary, DBK JSC:

- bonds with nominal value of Tenge 100,000,000 thousand issued on 4 May 2018 at coupon rate of 8.95% p.a. and maturing in May 2023;
- bonds with nominal value of Tenge 100,000,000 thousand issued on 14 December 2018 at coupon rate of 9.50% p.a. and maturing in December 2020.

20 Debt securities issued (continued)

Mortgage bonds. Mortgage bonds comprise debt securities issued by KMC JSC denominated in Tenge. These bonds have floating and fixed coupon rates varying from 6.00% to 10.50% p.a. (effective interest rates vary from 7.00% to 17.08% p.a.). They will be redeemed during 2019-2027. Bonds are secured by customer loan agreements and relevant real estate which is the collateral for these loans. Floating coupon rates are dependent on the inflation rate which is based on the inflation index for the recent 12 months according to data reported by the Agency of Statistics of the Republic of Kazakhstan, and subject to semi-annual revision in accordance with the issue date.

Reconciliation of movements of liabilities to cash flows arising from financing activities

(In thousands of Kazakhstani Tenge)	2018	2017
Balance at 1 January	**1,125,979,806**	**1,026,320,825**
Changes due to cash flows from financing activities		
Proceeds from debt securities issued	293,820,715	204,982,280
Repurchase/redemption of debt securities issued	(39,167,030)	(112,200,154)
Total changes due to cash flows from financing activities	**254,653,685**	**92,782,126**
Other changes		
Discount at initial recognition (Note 25)	(31,170,408)	(10,728,233)
Interest expense (Note 27)	90,582,593	75,175,959
Interest paid	(66,561,186)	(57,166,073)
Effect of changes in exchange rates	65,032,263	(404,798)
Losses less gains on buyback of own debt securities issued	1,269,793	-
Balance at 31 December	**1,439,786,546**	**1,125,979,806**

21 Subordinated debt

(In thousands of Kazakhstani Tenge)	Date of maturity	Currency	Coupon rate, %	31 December 2018	31 December 2017
Subordinated debt to NWF "Samruk-Kazyna" JSC	September 2059	KZT	0.01	6,074,969	5,381,557
Total subordinated debt				**6,074,969**	**5,381,557**

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

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

22 Loans from banks and other financial institutions

(In thousands of Kazakhstani Tenge)	Date of maturity	Currency	Rate (%)	31 December 2018	31 December 2017
Loans from related parties					
NWF “Samruk-Kazyna” JSC	01.12.2023	KZT	6.50	19,416,325	19,416,325
NWF “Samruk-Kazyna” JSC	01.08.2019	KZT	1.00	18,291,724	18,291,724
NWF “Samruk-Kazyna” JSC	30.11.2021	KZT	1.00	15,176,057	15,176,057
NWF “Samruk-Kazyna” JSC	20.06.2021	KZT	0.20	12,541,913	12,541,913
NWF “Samruk-Kazyna” JSC	15.11.2022	KZT	0.20	10,002,556	10,002,556
NWF “Samruk-Kazyna” JSC	29.11.2023	KZT	0.60	5,050,023	5,050,023
NWF “Samruk-Kazyna” JSC	01.11.2029	KZT	0.20	3,668,398	4,001,889
NWF “Samruk-Kazyna” JSC	01.12.2021	KZT	0.20	277,381	276,573
NWF “Samruk-Kazyna” JSC	30.06.2018	KZT	2.00	-	6,060,333
				84,424,377	**90,817,393**
Loans with fixed interest rate					
Loans from OECD banks and other financial institutions					
HSBC Bank plc.	05.07.2023	EUR	2.85	14,195,530	15,439,614
JBIC Sumitomo Mitsui Banking	21.12.2019	JPY	3.25	1,498,399	2,540,426
Loans from non-OECD banks and other financial institutions					
Export-Import Bank of China	21.05.2025	USD	3.00	103,844,991	102,657,265
Export-Import Bank of China	23.10.2025	USD	3.00	58,262,067	57,115,731
Asian Development Bank	15.10.2019	USD	2.08	23,529,620	40,692,160
Asian Development Bank	07.12.2020	KZT	7.50	20,725,261	-
Eximbank of Russia	15.12.2030	RUB	9.00	11,374,808	12,863,022
Asian Development Bank	07.12.2020	KZT	7.58	11,277,138	7,949,816
Eximbank of Russia	06.11.2027	RUB	5.75	3,035,603	1,438,033
Eximbank of Russia	28.04.2025	RUB	5.00	2,455,058	-
Export-Import Bank of China	21.07.2019	USD	4.00	-	270,679,092
Asian Development Bank	15.09.2020	USD	2.28	-	14,622,472
Asian Development Bank	15.09.2020	USD	2.348	-	9,208,234
				250,198,475	**535,205,865**
Loans with floating interest rate					
Loans from OECD banks and other financial institutions					
Sumitomo Mitsui Banking Corporation Europe Limited	16.05.2022	USD	6mLIBOR+ 2.75	-	8,311,715
BNP Paribas	01.11.2018	EUR	6mEuribor+ 1.75	-	583,629
Loans from non-OECD banks and other financial institutions					
Export-Import Bank of China	21.07.2023	USD	6mLIBOR+ 3.00	182,280,017	188,310,156
China Development Bank	15.06.2025	USD	6mLIBOR+ 2.70	149,075,020	139,933,219
China Development Bank	25.04.2030	USD	3mLIBOR+2.70	102,796,407	66,757,654
Sumitomo Mitsui Banking Corporation Europe Limited, the Bank of Tokyo-Mitsubishi UFJ Ltd., Deutsche Bank AG, Credit Agricole Corporate and Investment BankCorporation Europe Limited, the Bank of Tokyo-Mitsubishi UFJ Ltd., Deutsche Bank AG, Credit Agricole Corporate and Investment Bank	25.04.2030	USD	3mLIBOR+ 1.80	86,829,713	-
China Development Bank	23.06.2018	USD	6mLIBOR+ 1.10	-	2,327,823
				520,981,157	**406,224,196**
Total loans from banks and other financial institutions				**855,604,009**	**1,032,247,454**
Less unamortised portion of borrowing costs				**(18,104,294)**	**(22,058,815)**
				837,499,715	**1,010,188,639**

22 Loans from banks and other financial institutions (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

(In thousands of Kazakhstani Tenge)	2018	2017
Balance at 1 January	**1,010,188,639**	**1,101,456,557**
Changes due to cash flows from financing activities		
Proceeds from loans from banks and other financial institutions	159,589,632	97,928,869
Repayment of loans from banks and other financial institutions	(437,557,739)	(208,052,749)
Total changes due to cash flows from financing activities	**(277,968,107)**	**(110,123,880)**
Other changes		
Interest expense (Note 27)	42,491,224	48,231,891
Interest paid	(40,189,777)	(29,050,143)
Discount at initial recognition	(535,655)	-
Effect of changes in exchange rates	103,513,391	(325,786)
Balance at 31 December	**837,499,715**	**1,010,188,639**

23 Loans from the Government of the Republic of Kazakhstan

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Loans from the Government of the Republic of Kazakhstan	208,831,317	180,029,399
	208,831,317	**180,029,399**

During 2018, the Holding received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 104,756,067 thousand (2017: Tenge 164,069,693 thousand):

- a loan of Tenge 10,000,000 thousand has been provided at the rate of 0.10% p.a. and with maturity in 9 years. The borrowed funds will be used to provide a long-term lease financing under the Unified Program for Business Support and Development “Business Road Map – 2020”;

- a loan of Tenge 13,000,000 thousand has been provided at the rate of 0.10% p.a. and with maturity in 15 years. The borrowed funds will be used to provide long-term financing for leasing agricultural vehicles;

- a loan of Tenge 12,000,000 thousand has been provided at the rate of 0.10% p.a. and with maturity in 20 years. The borrowed funds will be used to finance projects under the State Industrial and Innovation Development Program of the Republic of Kazakhstan;

- a loan of Tenge 12,537,182 thousand has been provided at the rate of 0.05% p.a. and with maturity in 20 years. The borrowed funds will be used to renovate the passenger car fleet of "Passenger transportation" JSC.

- a loan of Tenge 40,200,000 thousand has been provided at the rate of 0.15% p.a. and with maturity in 20 years. The borrowed funds will be used to provide preliminary and interim housing loans to participants in the “Nurly Zher” Housing Construction Program.

- loans of Tenge 17,018,885 thousand have been provided at the rates in the range of 0.01%-0.10% p.a. and with maturity in 5-7 years. All borrowed funds are intended to finance small and medium entities.

During 2017 the following loans have been received:

- 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 will be used 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 will be used to finance the renewal of passenger car fleet of "Passenger transportation" JSC;

- a loan of Tenge 80,000,000 thousand loan at the rate of 0.10% p.a. and with maturity in 20 years. The borrowed funds will be used 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 domestic car manufacturers through conditional financing of second-tier banks to further finance individuals - buyers of vehicles manufactured in Kazakhstan and to provide financing to legal entities and individual entrepreneurs, which take for lease vehicles of special purpose;

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

- a loan of Tenge 8,000,000 thousand has been provided at the rate of 0.15% p.a. and with maturity in 20 years and is subject to partial early repayment of principal in the amount of KZT 1,000 thousand upon expiry of 80 months. All borrowed funds are under “Nurly Zher” Housing Construction Program and intended to provide advance loans and bridge housing loans the “Nurly Zher” Program’s participants;

- a loan of Tenge 1,000,000 thousand has been provided at the rate of 0.01% p.a. and with maturity in 8 years and is subject to partial early repayment of the principal in the amount of KZT 1,000 thousand upon expiry of 32 months. All borrowed funds are provided under “Almaty zhastary” Program as part of the Roadmap for Support of the Young People of Almaty -2020 to issue the advance loans to the Program’s participants;

- loans of Tenge 14,200,000 thousand have been provided at the rates in the range of 0.01%-0.1% p.a. and with maturity in 7 years. All borrowed funds are intended to be placed in second tier banks and microcredit organisations further to finance small and medium entities;

- loans of Tenge 14,183,696 thousand have been provided at the rate of 0.01% p.a. and with maturity in 5-7 years. All borrowed funds are intended to finance small and medium entities;

- 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 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 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 renewal of passenger car fleet.

During 2018, the discount of Tenge 25,274,468 thousand (2017: Tenge 5,664,643 thousand) arising upon initial recognition was recognised directly in equity as an additional paid-in capital (less effect of the respective income tax of Tenge 6,318,617 thousand (2017: Tenge 1,416,161 thousand), as management determined that the Government acted in the capacity of a shareholder when providing the Holding with said financing instruments at interest rates below market rates, without any additional conditions.

During 2018, the Holding stated income of Tenge 26,291,607 thousand as government grants (2017: Tenge 78,464,629 thousand) (Note 25), recognised in other liability in the consolidated statement of financial position. The Holding used estimated market interest rates of 8.48% – 8.76% p.a. (2017: 8.92% – 9.49% 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.

Reconciliation of movements of liabilities to cash flows arising from financing activities

(In thousands of Kazakhstani Tenge)	**2018**	**2017**
Balance at 1 January	**180,029,399**	**103,624,332**
Changes due to cash flows from financing activities		
Proceeds from loans from the Government of the Republic of Kazakhstan	104,756,067	164,069,693
Repayment of loans from the Government of the Republic of Kazakhstan	(29,726,415)	(1,540,384)
Total changes due to cash flows from financing activities	**75,029,652**	**162,529,309**
Other changes		
Discount at initial recognition	(56,897,484)	(84,129,272)
Interest expense (Note 27)	11,290,931	7,779,239
Interest paid	(621,181)	(9,774,209)
Balance at 31 December	**208,831,317**	**180,029,399**

24 Other financial liabilities

Other financial liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Amounts placed by customers as security for letters of credit	12,153,573	13,453,032
Commitments to provide loans at a below-market interest rate (Note 31)	10,968,511	-
Provision for credit related commitments	5,436,899	1,678,847
Government grants liabilities	4,974,063	3,177,338
Innovation grants received	3,082,416	3,057,249
Payables on banking activity	2,929,792	3,454,889
Other accounts payable	1,790,375	1,247,850
Trade payables to suppliers and contractors	1,492,849	1,874,943
Payables for mortgage loans acquired	1,255,499	7,552,688
Interest strip payable	682,204	735,546
Accrued fee and commission expenses	308,687	1,994,663
Other	2,393,723	2,018,466
Total other financial liabilities	**47,468,591**	**40,245,511**

Commitments to provide a loan at a below-market interest rate and credit related commitments. During 2018, the Holding recognised commitments to provide a loan at a below-market interest rate and credit related commitments at fair value. Subsequently they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised.

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

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

Payables for mortgage loans acquired. Payables comprise final repayment on some mortgage loans acquired (Note 11) with due date after transfer of the documents on the acquired loans. The management expects that the transfer to be finalised in 2019.

25 Other liabilities

Other liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Government grants	411,155,878	415,095,872
Advances received under finance leases	9,013,305	8,527,684
Prepayments	7,758,072	7,006,424
Deferred income on guarantees	5,483,862	4,162,790
Accrued employee benefit costs	2,222,479	1,733,051
Payables to suppliers	1,617,096	3,927,892
Deferred income	773,663	894,033
Taxes payable other than on income	572,721	945,412
Follow-up control of performance of liabilities	422,057	2,995,747
Other	4,994,187	3,082,535
Total other liabilities	**444,013,320**	**448,371,440**

25 Other liabilities (continued)

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

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
Balance at the beginning of the year	**415,095,872**	**351,895,386**
Government grants received from the Government of the Republic of Kazakhstan by means of issue of debt securities (Note 20)	31,170,408	10,728,233
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Government of the Republic of Kazakhstan (Note 23)	26,291,607	78,464,629
Recalculation of government grant due to partial repayment of principal	(1,012,737)	-
Utilisation of government grant for commissioning of residential properties under housing credit and lease agreements, under Nurly Zher program	(3,614,313)	-
Utilisation of government grant upon issuance of finance lease	(4,857,459)	(4,270,952)
Utilisation of government grants upon issuance of low interest loans to commercial banks	(5,163,514)	-
Utilisation of government grant for loan issued under Nurly Zher program	(5,401,801)	-
Amortisation for the year	(9,216,431)	(10,761,279)
Utilisation of government grant for purchase of regional authorities bonds (Note 12)	(11,787,791)	(10,960,145)
Utilisation of government grant upon issuance of loans to borrowers under the State Program of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019	(20,347,963)	-
Balance at the end of the year	**411,155,878**	**415,095,872**

Subsequent to initial recognition, the Holding charged to profit or loss an amount corresponding to the renegotiated debt provided to the borrowers on favourable terms upon fulfilment of the conditions of state programs (Notes 9, 11, 12 and 13). The Holding is responsible for allocation benefits to ultimate borrowers through low interest loans.

During the year ended 31 December 2018 the government grants transferred to profit or loss (Note 31) amounted to Tenge 38,342,221 thousand (2017: Tenge 10,761,279 thousand) and were included in other expenses.

26 Share capital

(In thousands of Kazakhstani Tenge, except for number of shares)	31 December 2018	31 December 2017
Authorised ordinary shares	5,000,086,550	5,000,086,550
Authorised, but not issued	(4,153,867,838)	(4,153,867,838)
Total issued shares paid	**846,218,712**	**846,218,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**846,218,712**	**846,218,712**

Each ordinary share carries one vote.

During 2017, the Holding received three cash contributions to share capital of Tenge 43,900,000 thousand.

Dividends declared. During 2018 and 2017, the Holding neither declared nor distributed dividends.

Net assets per ordinary share. According to the Rules of Listing of the Kazakh Stock Exchange (the Rules), the Holding disclosed net assets per ordinary share calculated in accordance with these Rules:

(In Kazakhstani Tenge)	2018	2017
Net assets per ordinary share	1,249.60	1,238.42

As at 31 December 2018 net assets per ordinary share was determined by dividing amount of consolidated equity decreased by the carrying amount of intangible assets, which the Holding will not be able to sell to third parties, of Tenge 1,057,436,688 thousand (31 December 2017: Tenge 1,047,976,850 thousand) by the total number of outstanding shares of 846,218,712 (31 December 2017: 846,218,712 shares).

26 Share capital (continued)

Earnings per share

(In thousands of Kazakhstani Tenge)	2018	2017
Net profit for the year	34,718,048	43,667,837
Issued ordinary shares at the beginning of the year	846,218,712	802,318,712
Weighted average number of ordinary shares for the year ended 31 December	**846,218,712**	**816,459,096**
Earnings per share		
Basic and diluted earnings per share (Tenge)	**41.027**	**53.484**

During the reporting period, no financial instruments with a dilutive effect were outstanding. Therefore, basic earnings per share equal diluted earnings per share.

The Holding's ordinary shares are not traded in a public market, however the Holding voluntary decided to disclose earnings per share calculated in accordance with IAS 33 *Earnings Per Share*.

27 Interest income and expense

(In thousands of Kazakhstani Tenge)	2018	2017
Interest income calculated using the effective interest method		
Loans to customers	156,866,310	138,450,816
Cash and cash equivalents	29,611,046	26,786,950
Loans to banks and financial institutions	24,875,937	37,900,324
Investment securities measured at amortised cost	23,177,792	-
Investment securities measured at fair value through other comprehensive income	22,920,773	-
Deposits	13,774,696	22,132,081
Investment securities available for sale	-	41,636,838
Other	100,499	202,707
Total interest income calculated using the effective interest method	**271,327,053**	**267,109,716**
Other interest income		
Finance lease receivables	25,272,422	19,357,527
Loans to customers	3,802,037	369,104
Financial instruments at fair value through profit or loss	1,344,575	536,772
Total other interest income	**30,419,034**	**20,263,403**
Interest expense		
Debt securities issued	(90,582,593)	(75,175,959)
Loans from banks and other financial institutions	(42,491,224)	(48,231,891)
Loans from the Government of the Republic of Kazakhstan	(11,290,931)	(7,779,239)
Customer accounts	(9,945,131)	(8,016,476)
Subordinated debt	(704,900)	(627,504)
Other	(401,166)	(101,326)
Total interest expense	**(155,415,945)**	**(139,932,395)**
Net interest income	**146,330,142**	**147,440,724**

Included within various line items under interest income for the year ended 31 December 2018 is a total of Tenge 8,151,332 thousand (2017: Tenge 16,900,370 thousand) accrued on impaired financial assets.

28 Fee and commission income and expense

(In thousands of Kazakhstani Tenge)	2018	2017
Fee and commission receipts		
Fee and commission income arising from financial assets not measured at fair value through profit or loss:		
- Performance guarantees	3,088,572	3,140,813
- Agency services	961,678	1,065,549
- Cash operations	624,917	456,866
- Project-related consultations	358,277	278,209
- Reservation commission on undrawn part of loan	302,316	172,510
- Letters of credit	230,225	440,405
- Transfer services	117,665	88,230
- Other	432,808	303,690
Total fee and commission income	**6,116,458**	**5,946,272**
Fee and commission expense		
Fee and commission expense arising from financial assets not measured at fair value through profit or loss:		
- Agency services	(2,136,055)	(1,374,039)
- Commission for early repayment of loan	(1,455,517)	(372,759)
- Transfer services	(375,079)	(188,875)
- Confirmation letter of credit	(225,499)	(412,898)
- Securities transactions	(106,704)	(69,792)
- Maintenance of current accounts	(27,708)	(25,742)
- Custodial services	(20,241)	(24,164)
- Eurobonds issue	(20,111)	(17,523)
- Credit card management	(1,152)	(2,570)
- Commission on undrawn part of loan	-	(1,936)
- Other	(122,778)	(131,578)
Total fee and commission expense	**(4,490,844)**	**(2,621,876)**
Net fee and commission income	**1,625,614**	**3,324,396**

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

(In thousands of Kazakhstani Tenge)	2018	2017
Dividend income from financial instruments at fair value through profit or loss	3,681,889	1,613,597
Gains less losses/(losses less gains) on derivative financial instruments	2,510,975	(16,756,129)
Loss on revaluation of loans to customers at fair value through profit or loss	(2,208,443)	-
Gains less losses on trading securities	65,958	149,296
Gains less losses on other financial instruments at fair value through profit or loss	4,576,724	2,362,198
Total net gain/(loss) on financial assets at fair value through profit or loss	**8,627,103**	**(12,631,038)**

30 Net foreign exchange gain

(In thousands of Kazakhstani Tenge)	2018	2017
(Losses less gains)/gains less losses arising from foreign currency translation	(799,814)	1,347,359
Gains less losses arising from foreign currency operations	2,252,136	432,839
Total net foreign exchange gain	**1,452,322**	**1,780,198**

31 Other operating (expense)/income, net

(In thousands of Kazakhstani Tenge)	2018	2017
Other income from utilisation of government grants (Note 25)	38,342,221	10,761,279
Gain from early prepayment of loans	2,359,110	7,051,871
Gain from sale of other assets (inventory)	1,699,471	-
Revenue from provision of services	902,049	783,972
Fines and penalties	302,349	806,458
Rental income	53,573	570,084
(Losses less gains)/gain from sales of non-current assets held for sale	(5,655)	244,100
Provision for impairment of other assets (Note 18)	(245,386)	(166,328)
(Accrual)/recovery of provision for investment in associates	(573,121)	268,983
Charge for of impairment of property, plant and equipment and intangible assets	(792,508)	(402,571)
(Losses less gains)/gains less losses on buyback of own debt securities	(1,269,793)	7,836
Loss from repayment of loans from banks and other financial institutions before maturity	(3,083,818)	(7,264,803)
Expense on valuation of liabilities on provision of loans at below market rates (Note 24)	(10,968,511)	-
Expenses in the form of negative adjustment of value of the loan issued	(27,228,400)	(7,459,967)
Reimbursement of property tax	-	524,580
Other income	505,023	3,086,473
Total other operating (expense)/income, net	**(3,396)**	**8,811,967**

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programs (Note 25).

During 2018, due to partial early repayment of issued loans, the Holding recognised income of Tenge 2,359,110 thousand as a result of revision of repayment schedule.

During 2018, due to early and partial early repayment of loans from foreign banks, the Holding recognised expense of Tenge 3,083,818 thousand (2017: Tenge 7,264,803 thousand) incurred as a result of revision of repayment schedule.

During 2018, two loan contracts were signed at below-market rates, on initial recognition of which expense of Tenge 10,968,511 thousand was recognised (Note 24).

During 2018, the Holding recognised expense of Tenge 27,228,400 thousand (2017: Tenge 7,459,967 thousand) in the form of negative adjustment of value of the loan issued as a result of issue of loans at rates below market rates.

32 Provision for impairment of other financial assets and credit related commitments

(In thousands of Kazakhstani Tenge)	2018	2017
Investment securities measured at fair value through other comprehensive income	(154,765)	-
Cash and cash equivalents (Note 7)	(586,885)	(93,361)
Other financial assets (Note 17)	(888,919)	(184,971)
Investment securities measured at amortised cost (Note 12)	(1,297,926)	-
Credit related commitments and guarantees issued	(1,358,298)	213,030
Finance lease receivables (Note 13)	(4,601,477)	(1,543,076)
Deposits (Note 10)	(11,933,266)	(9,775,416)
Loans to banks and financial institutions (Note 9)	(34,036,994)	(8,489,206)
Investment securities available for sales (Note 12)	-	(1,225,172)
Total provision for impairment of other financial assets and credit related commitments	**(54,858,530)**	**(21,098,172)**

33 Administrative expenses

(In thousands of Kazakhstani Tenge)	2018	2017
Personnel costs	21,465,335	19,261,989
Professional services	4,255,705	3,017,218
Taxes other than on income	2,951,506	1,952,871
Depreciation of property, plant and equipment	1,535,902	1,391,815
Operating lease expense	1,257,636	1,587,386
Advertising and marketing services	987,647	1,032,339
Contributions to “Kazakhstan Deposit Insurance Fund” JSC	930,164	765,766
Business trip expenses	904,796	793,512
Expenses on realisiation of Damu EDF JSC programmes	872,451	904,953
Administrative expense of the Board of Directors	806,297	691,460
Charity and sponsorship	798,035	584,021
Amortisation of software and other intangible assets	788,290	700,017
Communications services	726,868	591,133
Repair and technical equipment	580,519	1,013,524
Utilities	549,777	389,865
Staff training	517,103	395,398
Information services	481,364	372,569
Materials	451,377	333,340
Insurance	380,822	318,660
Security services	218,968	192,012
Transportation services	201,194	157,196
Other	4,217,365	3,412,428
Total administrative expenses	**45,879,121**	**39,859,472**

34 Income tax

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

(In thousands of Kazakhstani Tenge)	2018	2017
Current tax	31,701,086	6,996,105
Deferred tax	(14,001,784)	1,166,588
Income tax expense for the year	**17,699,302**	**8,162,693**

The income tax rate applicable to the Holding’s 2018 income is 20% (2017: 20%).

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

(In thousands of Kazakhstani Tenge)	2018	2017
Profit before income tax	**52,417,287**	**51,750,233**
The estimated tax charges at statutory rate of 20% (2017: 20%)	10,483,457	10,350,047
- Non-taxable income on securities	(8,450,673)	(10,281,033)
- Other non-taxable income	(3,814,726)	(1,473,802)
- Non-deductible impairment losses on financial assets	12,002,608	4,869,349
- Other non-deductible expenses	4,804,517	1,801,146
- Adjustment of current income tax expense for prior years	804,335	(282,490)
- Previously unrecognised tax asset	-	1,978,656
- Change in unrecognised deferred tax assets	679,858	545,851
- Restructuring of private equity funds*	(2,358,532)	-
- Write-off of deferred tax assets	3,037,456	643,045
- Other permanent differences	511,002	11,924
Income tax expense for the year	**17,699,302**	**8,162,693**

* During 2018 KCM JSC has restructured the private equity funds and foreign subsidiaries in order to optimize the tax burden and performed the necessary arrangements to transfer KCM JSC’s assets to a special purpose vehicle (SPV) Kazyna Seriktes B.V. The subsidiary decreased its taxable profit and deferred tax liability on financial assets at fair value through profit or loss by Tenge 2,358,532 thousand due to transfer of assets.

34 Income tax (continued)

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

(In thousands of Kazakhstani Tenge)	**31 December 2018**	**Change for the year**	**31 December 2017**	**Change for the year**	**Write-off of unrecog-nised DTA**	**1 January 2017**
Finance lease receivables	2,044,555	132,283	1,912,272	(257,054)	-	2,169,326
Interest accrued at contractual rate and written off	70,796	(9,072)	79,868	(1,350)	-	81,218
Other financial assets at fair value through profit or loss	620,077	11,933	608,144	97,026	-	511,118
Investment in subsidiaries	1,493,731	302,897	1,190,834	91,047	-	1,099,787
Investment in associates	379,442	37,571	341,871	-	(4,585,812)	4,927,683
Other assets	13,110	(203)	13,313	(3,002)	-	16,315
Tax loss carried forward	1,879,120	354,323	1,524,797	164,222	-	1,360,575
Derivative financial instruments	174,411	(280,755)	455,166	249,575	-	205,591
Other liabilities	254,008	130,881	123,127	205,387	-	(82,260)
Net unrecognised deferred tax assets	**6,929,250**	**679,858**	**6,249,392**	**545,851**	**(4,585,812)**	**10,289,353**

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

The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2017: 20%).

(In thousands of Kazakhstani Tenge)	**1 January 2018**	**Recognised in profit or loss**	**Recognised directly in equity**	**Disposal from the Holding**	**31 December 2018**
Tax effect of deductible/(taxable) temporary differences					
Due from banks	44,531,399	1,520,088	916,487	-	46,967,974
Loans to customers	19,002,235	3,281,205	-	-	22,283,440
Finance lease receivables	1,912,272	132,283	-	-	2,044,555
Interest accrued at contractual rate and written off	79,868	(9,072)	-	-	70,796
Investment securities	38,382	(3,646)	-	-	34,736
Investment in subsidiaries	1,190,834	302,897	-	-	1,493,731
Investment in associates and subsidiaries	226,667	(29,909)	-	-	196,758
Property, plant and equipment	(913,554)	(4,606)	-	78,090	(840,070)
Investment property	2,604,000	352,667	-	-	2,956,667
Other assets	(7,031,961)	4,535,272	9,955	-	(2,486,734)
Tax loss carried forward	1,905,908	82,123	-	-	1,988,031
Debt securities issued	(138,211,344)	(4,895,213)	-	-	(143,106,557)
Loans from banks and other financial institutions	(8,759,628)	1,430,378	-	-	(7,329,250)
Loans from the Government of the Republic of Kazakhstan	(956,630)	65,983	(6,318,618)	-	(7,209,265)
Other liabilities	66,556,496	7,762,914	22,269	-	74,341,679
Net deferred tax liability before recoverability assessment	**(17,825,056)**	**14,523,364**	**(5,369,907)**	**78,090**	**(8,593,509)**
Recognised deferred tax asset	4,347,437	(344,944)	-	(158,278)	3,844,215
Recognised deferred tax liability	(28,421,885)	14,346,728	(5,369,907)	78,090	(19,366,974)
Net deferred tax liability	**(24,074,448)**	**14,001,784**	**(5,369,907)**	**(80,188)**	**(15,522,759)**

34 Income tax (continued)

(In thousands of Kazakhstani Tenge)	1 January 2017	Recognised in profit or loss	Recognised directly in equity	Transfer from/to assets held for sale	31 December 2017
Tax effect of deductible/(taxable) temporary differences					
Due from banks	47,185,177	(2,653,778)	-	-	44,531,399
Loans to customers	13,489,478	5,512,757	-	-	19,002,235
Finance lease receivables	2,169,326	(257,054)	-	-	1,912,272
Interest accrued at contractual rate and written off	81,218	(1,350)	-	-	79,868
Investment securities	3,982	34,400	-	-	38,382
Investment in subsidiaries	1,099,787	91,047	-	-	1,190,834
Investment in associates and subsidiaries	4,888,873	(4,662,206)	-	-	226,667
Property, plant and equipment	(917,786)	4,232	-	-	(913,554)
Investment property	3,146,029	(542,029)	-	-	2,604,000
Other assets	(9,897,223)	2,865,262	-	-	(7,031,961)
Tax loss carried forward	4,983,703	(3,077,795)	-	-	1,905,908
Debt securities issued	(125,326,735)	(12,884,609)	-	-	(138,211,344)
Loans from banks and other financial institutions	(9,699,394)	2,355,927	(1,416,161)	-	(8,759,628)
Loans from the Government of the Republic of Kazakhstan	(1,017,725)	61,095	-	-	(956,630)
Other liabilities	58,754,007	7,804,266	(1,777)	-	66,556,496
Net deferred tax liability before recoverability assessment	**(11,057,283)**	**(5,349,835)**	**(1,417,938)**	**-**	**(17,825,056)**
Recognised deferred tax asset	4,813,645	(437,173)	-	(29,035)	4,347,437
Recognised deferred tax liability	(26,160,281)	(729,415)	(1,417,938)	(114,251)	(28,421,885)
Net deferred tax liability	**(21,346,636)**	**(1,166,588)**	**(1,417,938)**	**(143,286)**	**(24,074,448)**

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

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan. Utilisation of tax loss carried forward expires in 2019-2028.

35 Financial risk management

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

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

The risk management policy has the following objectives:

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

35 Financial risk management (continued)

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

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

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

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

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

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

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

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

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

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

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

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

35 Financial risk management (continued)

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

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

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

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

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2018:

(In thousands of Kazakhstani Tenge)	Tenge	USD	EUR	Other	Total
ASSETS					
Cash and cash equivalents	557,208,641	76,942,445	9,014,100	1,006,961	644,172,147
Financial instruments at fair value through profit or loss	442,309	-	-	-	442,309
Loans to banks and financial institutions	275,164,588	-	-	-	275,164,588
Deposits	123,857,102	24,385,438	-	4,805,955	153,048,495
Loans to customers	1,424,757,290	958,563,507	14,618,337	1,493,482	2,399,432,616
Investment securities measured at fair value through profit or loss	17,980,067	-	-	-	17,980,067
Investment securities measured at fair value through other comprehensive income	186,387,945	200,252,417	-	259,876	386,900,238
Investment securities measured at amortised cost	196,791,828	-	-	-	196,791,828
Finance lease receivables	275,255,229	-	-	-	275,255,229
Other financial assets	20,236,063	942,323	2,012	21	21,180,419
Total monetary financial assets	**3,078,081,062**	**1,261,086,130**	**23,634,449**	**7,566,295**	**4,370,367,936**
LIABILITIES					
Customer accounts	640,371,791	9,055,345	45,209	-	649,472,345
Debt securities issued	910,348,766	529,437,780	-	-	1,439,786,546
Subordinated debt	6,074,969	-	-	-	6,074,969
Loans from banks and other financial institutions	109,579,163	698,067,385	13,593,161	16,260,006	837,499,715
Loans from the Government of the Republic of Kazakhstan	208,394,935	436,382	-	-	208,831,317
Insurance contracts liabilities	4,699,589	-	-	-	4,699,589
Other financial liabilities	37,489,814	1,214,310	8,761,511	2,956	47,468,591
Total monetary financial liabilities	**1,916,959,027**	**1,238,211,202**	**22,399,881**	**16,262,962**	**3,193,833,072**
Net position before derivatives	**1,161,122,035**	**22,874,928**	**1,234,568**	**(8,696,667)**	**1,176,534,864**
Claims on derivatives	-	23,425,220	-	-	23,425,220
Liabilities on derivatives	(11,111,150)	-	-	-	(11,111,150)
Total net position	**1,150,010,885**	**46,300,148**	**1,234,568**	**(8,696,667)**	**1,188,848,934**

35 Financial risk management (continued)

Currency risk (continued)

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Tenge	USD	EUR	Other	Total
ASSETS					
Cash and cash equivalents	481,587,468	186,289,149	3,911,010	310,639	672,098,266
Financial instruments at fair value through profit or loss	7,627,073	-	-	-	7,627,073
Loans to banks and financial institutions	284,059,767	-	-	-	284,059,767
Deposits	123,698,177	71,235,706	-	1,164,741	196,098,624
Loans to customers	1,190,606,728	831,389,724	15,956,434	2,440,677	2,040,393,563
Investment securities	396,640,117	164,549,974	-	247,610	561,437,701
Finance lease receivables	230,652,747	-	-	-	230,652,747
Other financial assets	22,306,404	6,402,855	2,534	-	28,711,793
Total monetary financial assets	**2,737,178,481**	**1,259,867,408**	**19,869,978**	**4,163,667**	**4,021,079,534**
LIABILITIES					
Customer accounts	530,009,669	9,299,821	245	-	539,309,735
Debt securities issued	660,273,999	465,705,807	-	-	1,125,979,806
Subordinated debt	5,381,557	-	-	-	5,381,557
Loans from banks and other financial institutions	89,489,958	890,152,084	15,235,505	15,311,092	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	179,651,932	377,467	-	-	180,029,399
Insurance contracts liabilities	2,753,547	-	-	-	2,753,547
Other financial liabilities	20,320,671	15,356,582	4,566,040	2,218	40,245,511
Total monetary financial liabilities	**1,487,881,333**	**1,380,891,761**	**19,801,790**	**15,313,310**	**2,903,888,194**
Net position before derivatives	**1,249,297,148**	**(121,024,353)**	**68,190**	**(11,149,643)**	**1,117,160,114**
Claims on derivatives	-	180,254,422	-	-	180,254,422
Liabilities on derivatives	(109,071,780)	-	-	-	(109,071,780)
Total net position	**1,140,225,368**	**59,230,069**	**68,190**	**(11,149,643)**	**1,188,373,982**

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

In the consolidated financial statements the finance lease receivables in the amount of Tenge 113,323,460 thousand (2017: Tenge 96,293,765 thousand) presented in Tenge include embedded derivatives measured at fair value, from which Tenge 9,740,352 thousand are indexed to the appreciation of the US dollar (2017: Tenge 9,268,409 thousand) and Tenge 12,730,558 thousand are indexed to the appreciation of the Russian Ruble (2017: Tenge 18,258,001 thousand).

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

(In thousands of Kazakhstani Tenge)	31 December 2018	31 December 2017
US Dollar strengthening by 20% (2017: strengthening by 20%)	7,408,024	9,476,811
US Dollar weakening by 20% (2017: weakening by 20%)	(7,408,024)	(9,476,811)
EUR strengthening by 20% (2017: strengthening by 20%)	197,531	10,910
EUR weakening by 20% (2017: weakening by 20%)	(197,531)	(10,910)
Other currencies strengthening by 20% (2017: strengthening by 20%)	(1,391,467)	(1,783,943)
Other currencies weakening by 20% (2017: weakening by 20%)	1,391,467	1,783,943

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

35 Financial risk management (continued)

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

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

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Non-interest bearing**	**Total**
31 December 2018							
Total financial assets	1,094,126,887	300,183,737	185,823,086	2,686,427,019	116,043,296	118,072,907	4,500,676,932
Total financial liabilities	(667,202,022)	(35,446,145)	(74,184,461)	(2,369,108,407)	-	(47,892,037)	(3,193,833,072)
Net interest sensitivity gap at 31 December 2018	**426,924,865**	**264,737,592**	**111,638,625**	**317,318,612**	**116,043,296**	**70,180,870**	**1,306,843,860**
31 December 2017							
Total financial assets	923,925,283	450,178,310	224,050,579	2,316,814,314	67,912,027	177,977,057	4,160,857,570
Total financial liabilities	(368,317,146)	(186,355,784)	(75,247,744)	(2,233,677,373)	-	(40,290,147)	(2,903,888,194)
Net interest sensitivity gap at 31 December 2017	**555,608,137**	**263,822,526**	**148,802,835**	**83,136,941**	**67,912,027**	**137,686,910**	**1,256,969,376**

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

Sensitivity analysis of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) performed based on the conventional scenario of parallel shift in yield curve by 100 basis points upward or downward the interest rates and restated positions on interest-bearing assets and liabilities effective as of 31 December 2018 and 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	**2018**	**2017**
Parallel increase by 100 basis points (2017: 100 basis points)	4,996,548	6,052,262
Parallel decrease by 100 basis points (2017: 100 basis points)	(4,996,548)	(6,052,262)

35 Financial risk management (continued)

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

	31 December 2018			31 December 2017		
	Tenge	US Dollar	Other	Tenge	US Dollar	Other
Assets						
Cash and cash equivalents	7.24%	0.84%	0.81%	8.54%	0.21%	4.01%
Other financial instruments at fair value through profit or loss	-	-	-	4.93%	-	-
Loans to banks and financial institutions	5.69%	-	-	5.35%	-	-
Deposits	5.86%	1.46%	-	8.25%	5.58%	-
Loans to customers	8.37%	5.94%	6.05%	8.02%	6.08%	6.13%
Investment securities measured at fair value through other comprehensive income	7.79%	3.90%	5.38%	-	-	-
Investment securities measured at fair value through profit or loss	7.14%	-	-	-	-	-
Investment securities measured at amortised cost	8.41%	-	-	-	-	-
Investment securities available for sale	-	-	-	5.81%	3.53%	5.38%
Finance lease receivables	5.63%	-	-	6.03%	-	-
Liabilities						
Customer accounts	2.02%	-	-	1.99%	-	-
Debt securities issued	8.59%	12.57%	-	9.49%	4.50%	-
Subordinated debt	7.67%	-	-	7.67%	-	-
Loans from banks and other financial institutions	5.94%	3.86%	7.47%	4.63%	3.65%	1.74%
Loans from the Government of the Republic of Kazakhstan	6.48%	-	-	5.29%	-	-

The Holding is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower a right to repay the loans earlier. The Holding's current year financial result and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2017: no significant impact).

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

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

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

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

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

35 Financial risk management (continued)

Procedures for liquidity risk management of the Holding include:

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

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

The table below shows liabilities at 31 December 2018 and 2017 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Holding expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

35 Financial risk management (continued)

The maturity analysis of financial liabilities at 31 December 2018 is as follows:

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	118,606,611	22,651,286	28,555,026	313,683,392	212,724,127	696,220,442
Debt securities issued	46,639,746	29,425,625	35,462,905	1,015,887,877	1,198,461,695	2,325,877,848
Subordinated debt	-	5,743	-	51,687	115,272,827	115,330,257
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	40,342,645	36,978,222	99,557,411	625,410,128	457,097,336	1,259,385,742
Other financial liabilities	15,476,981	11,744,032	19,391,454	4,630,557	1,410,699	52,653,723
Other derivative financial instruments:						
- Claims on derivative financial instruments	-	-	-	(23,425,220)	-	(23,425,220)
- Liabilities from derivative financial instruments	-	-	-	11,111,150	-	11,111,150
Total potential future payments for financial liabilities	**221,065,983**	**100,804,908**	**182,966,796**	**1,947,349,571**	**1,984,966,684**	**4,437,153,942**
Irrevocable loan commitments	244,145,929	28,970,346	20,690,491	26,660,639	32,418,509	352,885,914
Guarantees, letters of credit and other liabilities related to settlement operations	90,499,184	-	-	-	-	90,499,184
Contingent capital commitments	59,098,755	-	-	-	-	59,098,755
Contingent commitments on innovation grants allocation	8,822,271	-	-	-	-	8,822,271

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	102,298,937	30,390,552	33,109,193	246,742,214	155,004,302	567,545,198
Debt securities issued	1,723,209	28,653,121	37,723,330	847,875,284	1,152,465,908	2,068,440,852
Subordinated debt	-	-	5,743	-	115,301,542	115,307,285
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	38,128,691	21,307,369	77,978,042	833,266,459	547,949,483	1,518,630,044
Other financial liabilities	15,804,368	10,783,405	8,775,357	7,615,074	20,854	42,999,058
Other derivative financial instruments:						
- Claims on derivative financial instruments	-	(107,318,622)	-	(72,935,800)	-	(180,254,422)
- Liabilities from derivative financial instruments	-	60,000,000	-	49,071,780	-	109,071,780
Total potential future payments for financial liabilities	**157,955,205**	**43,815,825**	**157,591,665**	**1,911,635,011**	**1,970,742,089**	**4,241,739,795**
Irrevocable loan commitments	380,301,137	-	16,487,533	24,417,152	-	421,205,822
Guarantees, letters of credit and other liabilities related to settlement operations	88,433,477	-	-	-	-	88,433,477
Contingent capital commitments	64,099,328	-	-	-	-	64,099,328
Contingent commitments on innovation grants allocation	12,262,174	-	-	-	-	12,262,174

35 Financial risk management (continued)

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

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

In the judgement of the Holding management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the effective management of the Holding.
The following table provides an analysis, by expected maturities, of amounts recognised in the consolidated statement of financial position as at 31 December 2018 and 2017.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
31 December 2018							
Total assets	758,471,146	132,248,491	371,886,124	1,034,196,256	2,258,212,391	163,832,002	4,718,846,410
Total liabilities	(178,625,479)	(44,039,783)	(103,989,438)	(1,410,881,765)	(1,920,129,251)	-	(3,657,665,716)
Net position as at 31 December 2018	**579,845,667**	**88,208,708**	**267,896,686**	**(376,685,509)**	**338,083,140**	**163,832,002**	**1,061,180,694**
31 December 2017							
Total assets	732,234,127	220,093,814	414,688,980	954,206,341	1,984,384,077	126,948,006	4,432,555,345
Total liabilities	(140,922,939)	(50,644,461)	(133,312,744)	(1,270,117,685)	(1,785,707,012)	-	(3,380,704,841)
Net position as at 31 December 2017	**591,311,188**	**169,449,353**	**281,376,236**	**(315,911,344)**	**198,677,065**	**126,948,006**	**1,051,850,504**

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

Compliance with capital adequacy ratios set for the subsidiaries is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman of the Management Board and considered by the Holding's Board of Directors.
The Holding treats the capital as net assets attributable to the Holding owners, which amount to Tenge 1,061,110,503 thousand (31 December 2017: Tenge 1,051,158,691 thousand). The Holding is not subject to regulatory capital requirements.

During 2018 and 2017 the Holding's subsidiaries complied with all externally imposed capital adequacy ratios by exceeding the minimum requirements.

36 Contingencies

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

Tax contingencies. The taxation system in the Republic of 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 consolidated financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are more significant than in other countries. Management of the Holding believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

Investment related contingencies. The Holding purchases private equity funds liabilities to include in its portfolio. The Holding diversifies the investment portfolio by distributing investments among managers, relevant industries, territories and investment stages. As of 31 December 2018 the contingent capital commitments totalled Tenge 59,098,755 thousand (31 December 2017: Tenge 64,099,328 thousand). Under the constituent agreements of private equity funds, in case of default on capital commitments, after the manager issued a due claim, the Holding may be subject to sanctions, including moratorium on interest, cessation of profit distribution, temporary denial of right to participate in the corporate governance of the funds and forced sale of the Holding's share to co-investors and third parties. As of December 2018 and 2017 the Holding did not have overdue investment commitments.

Compliance with covenants. The subsidiaries of the Holding are subject to certain covenants primarily relating to their borrowings. Non-compliance with these covenants may result in negative consequences for the Holding. The Holding was in compliance with covenants at 31 December 2018 and 31 December 2017.

Contractual obligations. As at 31 December 2018 and 2017 BD JSC has commitments to transfer property to the participants in shared construction of the first and second stages of Tau Samal residential complex. At 31 December 2018 the property transferable after completion of construction comprises 2 apartments (31 December 2017: 2 apartments).

Insurance. The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Holding does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Holding obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and consolidated financial position of the Holding.

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

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

36 Contingencies (continued)

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

(In thousands of Kazakhstani Tenge)	**31 December 2018**	**31 December 2017**
Commitments to extend credit that are irrevocable or revocable only in response to a material adverse change	20,467,228	27,820,946
Undrawn credit lines that are irrevocable or revocable only in response to a material adverse change	332,418,686	393,384,876
Financial guarantees issued	136,987,618	89,563,962
Contingent commitments on innovation grants allocation	8,822,271	12,262,174
Total credit related commitments less provision	**498,695,803**	**523,031,958**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was Tenge 10,968,511 thousand at 31 December 2018 (31 December 2017: Tenge 14,897,674 thousand). Credit related commitments are denominated in Tenge.

37 Offsetting financial assets and financial liabilities

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

37 Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to enforceable master netting and similar arrangements are as follows at 31 December 2018:

(In thousands of Kazakhstani Tenge)	Gross amounts before offsetting in the consolidated statement of financial position (a)	Gross amounts set off in the consolidated statement of financial position (b)	Net amount after offsetting in the consolidated statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Cash collateral received (f)	Net amount of exposure (c) - (d) + (f)
ASSETS						
Cash and cash equivalents						
- Receivables under reverse repurchase agreements	162,858,270	-	162,858,270	(162,858,270)	-	-
Loans to customers	10,591,061	-	10,591,061	-	(448,835)	10,142,226
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**173,449,331**	**-**	**173,449,331**	**(162,858,270)**	**(448,835)**	**10,142,226**
LIABILITIES						
Customer accounts	448,835	-	448,835	(448,835)	-	-
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**448,835**	**-**	**448,835**	**(448,835)**	**-**	**-**

37 Offsetting financial assets and financial liabilities (continued)

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Gross amounts before offsetting in the consolidated statement of financial position (a)	Gross amounts set off in the consolidated statement of financial position (b)	Net amount after offsetting in the consolidated statement of financial position (c) = (a) - (b)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Cash collateral received (f)	Net amount of exposure (c) - (d) + (f)
ASSETS						
Cash and cash equivalents						
- Receivables under reverse repurchase agreements	167,868,187	-	167,868,187	(167,868,187)	-	-
Loans to customers	12,756,387	-	12,756,387	-	(568,129)	12,188,258
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**180,624,574**	**-**	**180,624,574**	**(167,868,187)**	**(568,129)**	**12,188,258**
LIABILITIES						
Customer accounts	568,129	-	568,129	(568,129)	-	-
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**568,129**	**-**	**568,129**	**(568,129)**	**-**	**-**

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

38 Derivative financial instruments

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

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2018						
Currency swap	US dollars 122,000,000	29.09.19	Fixed 3.00% p.a. and Tenge 11,111,150 thousand at maturity	USD 61,000,000 at maturity	12,545,813	(10,366)
Options	Tenge 5,019,118 thousand	15.06.20	-	Tenge 5,019,118 thousand at maturity	175,065	-
Currency swap	US dollars 97,467,891	14.08.20	Fixed 3.00% p.a. and Tenge 3,206,470 thousand at maturity	USD 11,640,000 at maturity	-	-
Net fair value					**12,720,878**	**(10,366)**

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2017						
Currency interest rate swap	US dollars 322,927,879	28.04.18	Fixed 3.00% p.a. and Tenge 60,000,000 thousand at maturity	USD 322,927,879 at maturity	48,566,034	-
Currency swap	US dollars 122,000,000	29.09.19	Fixed 3.00% p.a. and Tenge 22,222,300 thousand at maturity	USD 122,000,000 at maturity	19,236,519	(8,747)
Currency swap	US dollars 97,467,891	14.08.20	Fixed 3.00% p.a. and Tenge 26,849,480 thousand at maturity	USD 97,467,891 at maturity	5,965,292	-
Options	Tenge 5,019,118 thousand	15.06.20	-	Tenge 5,019,118 thousand at maturity	16,484	-
Net fair value					**73,784,329**	**(8,747)**

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

39 Fair value

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

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

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.
Recurring fair value measurements. Recurring fair value measurements are those that other IFRS require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2018				**31 December 2017**			
(In thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Financial instruments at fair value through profit or loss	-	45,867	117,994,926	118,040,793	-	5,235,152	68,361,760	73,596,912
Investment securities	202,790,248	200,417,078	1,672,979	404,880,305	232,135,259	327,580,010	1,723,596	561,438,865
Loans to customers	-	-	42,560,471	42,560,471	-	-	-	-
Embedded derivative	-	-	3,834,190	3,834,190	-	-	4,603,837	4,603,837
Derivative financial instruments	-	12,710,512	-	12,710,512	-	25,240,999	48,566,034	73,807,033
TOTAL ASSETS AT FAIR VALUE	**202,790,248**	**213,173,457**	**166,062,566**	**582,026,271**	**232,135,259**	**358,056,161**	**123,255,227**	**713,446,647**

39 Fair value (continued)

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

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

For impaired (Stage 3) debt securities, forecasts of estimated cash flows were based on the publicly available information related to the estimated repayment schedule after the restructuring for each respective category of securities. Assumptions in relation to discount rates were based on credit risk premiums of similar issuers that were understood as market quotations of securities in issue which trading has not been suspended.

There were no changes in valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2018 (2017: none).

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

The Holding's investments in equity instruments categorised as level 3 comprise holdings in investment funds. These funds invest primarily in private equity through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly the Republic of Kazakhstan and Russia). To determine fair value of investments in these funds, the Holding engaged an independent appraiser for the years ended 31 December 2018 and 31 December 2017. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Holding's share of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

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

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

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

39 Fair value (continued)

The table below provides information on significant unobservable inputs used at the year-end to value the most significant companies included in the portfolio of private equity funds categorised into Level 3 of the fair value hierarchy as at 31 December 2018, in addition to sensitivity analysis to changes in unobservable data, which the Holding thinks reasonably possible at the reporting date, assuming that all other variables remain unchanged.

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	14,236,992	Black Scholes option pricing model	Volatility coefficient	+/- 5%	711,850
	511,839	Black Scholes option pricing model	Volatility coefficient	+/- 5%	25,592
	139,695	Black Scholes option pricing model	Volatility coefficient	+/- 5%	6,985
	110,557	Income approach	Discounted CF	+/- 5%	5,528
Unconventional energy	5,175,547	Comparative approach	EBITDA/(multiplier)	+/- 5%	258,777
	1,000,000	Income approach	Discounted CF	+/- 5%	50,000
	74,289	Cost approach	According to historical cost	+/- 5%	3,714
	27,867	Cost approach	According to historical cost	+/- 5%	1,393
Transportation and logistics services	40,150,121	Adjusted NAV	NAV	+/- 5%	2,007,506
	8,275,000	Income approach	Discounted CF	+/- 5%	413,750
	3,526,047	Income approach	Discounted CF	+/- 5%	176,302
	3,321,355	Cost approach	Adjustment to NAV	+/- 5%	166,068
	2,993,324	Cost approach	Adjustment to NAV	+/- 5%	149,666
	2,976,233	Cost approach	According to historical cost	+/- 5%	148,812
Manufacturing	3,832,991	Income approach	Discounted CF	+/- 5%	191,650
	1,463,483	Cost approach	Adjustment to NAV	+/- 5%	73,174
	1,038,377	Cost approach	Adjustment to NAV	+/- 5%	51,919
	95,730	Cost approach	Adjustment to NAV	+/- 5%	4,787
Natural resources	1,083,444	Cost approach	According to historical cost	+/- 5%	54,172
Real estate	1,770,939	Cost approach	Adjustment to NAV	+/- 5%	88,547
Medical diagnostics	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	830,338	Cost approach	Adjustment to NAV	+/- 5%	41,517
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
	592,363	Cost approach	Adjustment to NAV	+/- 5%	29,618

39 Fair value (continued)

Industry in which company operates	Fair value of Holding's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	3,457,800	Cost approach	According to historical cost	+/- 5%	172,890
	1,425,372	Cost approach	According to historical cost	+/- 5%	71,269
Electrical engineering industry	1,564,437	Income approach	Discounted CF	+/- 5%	78,222
	107,387	Income approach	Discounted CF	+/- 5%	5,369
Financial services	1,126,091	Cost approach	EBITDA/(multiplier)	+/- 5%	56,305
	303,995	Comparative approach	According to quotes	+/- 5%	15,200
	247,423	Cost approach	According to historical cost	+/- 5%	12,371
	211,215	Comparative approach	According to quotes	+/- 5%	10,561
Entertainment	2,987,616	Comparative approach	EBITDA/(multiplier)	+/- 5%	149,381
	749,695	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,485
	288,616	Income approach	Discounted CF	+/- 5%	14,431
Telecom services	1,079,145	Income approach	Discounted CF	+/- 5%	53,957
	295,538	Income approach	Discounted CF	+/- 5%	14,777
Technology	1,359,267	Comparative approach	EBITDA/(multiplier)	+/- 5%	67,963
Other	6,095,510	-	-	-	
Total	**117,994,926**				

39 Fair value (continued)

The table below provides information on significant unobservable inputs used at the year-end to value the most significant companies included in the portfolio of private equity funds categorised into Level 3 of the fair value hierarchy as at 31 December 2017, in addition to sensitivity analysis to changes in unobservable data, which the Holding thinks reasonably possible at the reporting date, assuming that all other variables remain unchanged.

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	13,426,477	Cost approach	Adjustment to NAV	+/- 5%	671,324
	2,531,206	Cost approach	Adjustment to NAV	+/- 5%	126,560
	2,186,141	Cost approach	Adjustment to NAV	+/- 5%	109,307
	205,101	Cost approach	Adjustment to NAV	+/- 5%	10,255
Unconventional energy	5,192,332	Cost approach	Adjustment to NAV	+/- 5%	259,617
	346,840	Cost approach	Adjustment to NAV	+/- 5%	17,342
	66,276	Cost approach	Adjustment to NAV	+/- 5%	3,314
	55,090	Income approach	Discounted CF	+/- 5%	2,755
Transportation and logistics services	2,888,487	Income approach	Discounted CF	+/- 5%	144,424
	2,587,057	Cost approach	Adjustment to NAV	+/- 5%	129,353
	1,964,841	Cost approach	Adjustment to NAV	+/- 5%	98,242
	801,721	Cost approach	Adjustment to NAV	+/- 5%	40,086
	275,401	Income approach	Discounted CF	+/- 5%	13,770
Manufacturing	3,723,791	Income approach	Discounted CF	+/- 5%	186,190
	3,614,007	Income approach	Discounted CF	+/- 5%	180,700
	898,188	Cost approach	Adjustment to NAV	+/- 5%	44,909
	450,101	Income approach	Discounted CF	+/- 5%	22,505
	168,119	Cost approach	Adjustment to NAV	+/- 5%	8,406
Natural resources	3,413,610	Income approach	Discounted CF	+/- 5%	170,681
Medical diagnostics	939,049	Cost approach	Adjustment to NAV	+/- 5%	46,952
	888,318	Cost approach	Adjustment to NAV	+/- 5%	44,416
	661,461	Cost approach	Adjustment to NAV	+/- 5%	33,073
	537,526	Cost approach	Adjustment to NAV	+/- 5%	26,876
	477,060	Cost approach	Adjustment to NAV	+/- 5%	23,853

39 Fair value (continued)

Industry in which company operates	Fair value of Holding's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	2,990,970	Cost approach	Adjustment to NAV	+/- 5%	149,549
	1,574,794	Cost approach	Adjustment to NAV	+/- 5%	78,740
Property management and construction materials	149,556	Cost approach	Adjustment to NAV	+/- 5%	7,478
Electrical engineering industry	80,450	Comparative approach	EBITDA/(multiplier)	+/- 5%	4,023
Financial services	1,020,584	Cost approach	Adjustment to NAV	+/- 5%	51,029
	575,706	Comparative approach	EBITDA/(multiplier)	+/- 5%	28,785
	551,543	Comparative approach	EBITDA/(multiplier)	+/- 5%	27,577
	212,957	Cost approach	Adjustment to NAV	+/- 5%	10,648
Entertainment	1,814,089	Comparative approach	EBITDA/(multiplier)	+/- 5%	90,704
	740,265	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,013
	306,345	Comparative approach	EBITDA/(multiplier)	+/- 5%	15,317
Telecom services	1,956,392	Cost approach	Adjustment to NAV	+/- 5%	97,820
	251,020	Cost approach	Adjustment to NAV	+/- 5%	12,551
Technology	1,544,044	Comparative approach	EBITDA/(multiplier)	+/- 5%	77,202
Other	6,294,845	-	-	-	-
Total	**68,361,760**				

39 Fair value (continued)

The valuation technique and inputs used in the fair value measurement for level 3 measurements of loans to customers, investment securities measured at fair value and embedded instrument and related sensitivity to reasonably possible changes in those inputs as at 31 December 2018 are as follows:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Loans to customers measured at FVTPL	42,560,471	Discounted cash flow	Discount rate	USD 6.35%, KZT 12.22%-13.73%	Significant increase in discount rate would result in lower fair value
Embedded derivative	3,834,190	Option model	Volatility of foreign exchange rate	USD 7.02%, RUB: 7.21%	Significant increase in volatility would result in higher fair value
Debt securities measured at fair value	1,672,979	Discounted cash flows	Discount rate	8.78%- 10.78%	Significant increase in discount rate would result in lower fair value

The valuation technique and inputs used in the fair value measurement for level 3 measurements of investment securities measured at fair value and embedded instrument and related sensitivity to reasonably possible changes in those inputs as at 31 December 2017 are as follows:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Embedded derivative	4,603,837	Option model	Volatility of foreign exchange rate	USD 4.40%, RUB: 6.30%	Significant increase in volatility would result in higher fair value
Financial derivatives	48,566,034	Discounted cash flows	Early repayment option	1 month / 7 months	Longer prepayment period would result in higher fair value of derivative/shorter prepayment period would result in lower fair values of derivative

The above tables discloses sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in comprehensive income, total equity.
The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result.

39 Fair value (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2018 is as follows:

(In thousands of Kazakhstani Tenge)	Financial instruments at fair value through profit or loss	Investment securities	Embedded derivatives	Financial derivatives	Loans to customers measured at fair value through profit or loss
Fair value as at 1 January 2018	**68,361,760**	**1,723,596**	**4,603,837**	**48,566,034**	**-**
Impact of adopting IFRS 9	-	-	-	-	16,972,834
Gains or losses recognised in profit or loss for the year	3,989,218	(42,618)	(1,005,302)	(2,692,538)	(2,208,443)
Purchases, net	63,790,031	-	319,898	-	27,796,080
Sales	(18,146,083)	(7,999)	(84,243)	(45,873,496)	-
Fair value at 31 December 2018	**117,994,926**	**1,672,979**	**3,834,190**	**-**	**42,560,471**

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2017 is as follows:

(In thousands of Kazakhstani Tenge)	Financial instruments at fair value through profit or loss	Investment securities	Embedded derivatives	Financial derivatives
Fair value as at 1 January 2017	**64,123,485**	**-**	**2,804,925**	**50,905,329**
Gains or losses recognised in profit or loss for the year	1,904,391	-	(252,497)	(2,339,295)
Purchases, net	6,923,963	1,723,596	2,126,350	-
Sales	(4,564,942)	-	-	-
Interest paid/(received)	(25,137)	-	(74,941)	-
Fair value at 31 December 2017	**68,361,760**	**1,723,596**	**4,603,837**	**48,566,034**

39 Fair value (continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2018 are as follows:

(In thousands of Kazakhstani Tenge)	Level 1	Level 2	Level 3	Total	Carrying amount
ASSETS					
Cash and cash equivalents	-	644,172,147	-	644,172,147	644,172,147
Loans to banks and financial institutions	-	223,377,137	6,194,595	229,571,732	275,164,588
Deposits	-	153,048,495	-	153,048,495	153,048,495
Loans to customers	-	2,155,316,485	121,758,949	2,277,075,434	2,356,872,145
Investment securities	-	184,797,016	459,034	185,256,050	196,791,828
Finance lease receivables (less embedded derivatives)	-	221,338,931	221,027	221,559,958	271,421,039
TOTAL	**-**	**3,582,050,211**	**128,633,605**	**3,710,683,816**	**3,897,470,242**
LIABILITIES					
Customer accounts	-	649,472,345	-	649,472,345	649,472,345
Debt securities issued	552,189,066	889,618,489	-	1,441,807,555	1,439,786,546
Subordinated debt	-	1,102,085	-	1,102,085	6,074,969
Loans from banks and other financial institutions	-	803,855,598	27,099,740	830,955,338	837,499,715
Loans from the Government of the Republic of Kazakhstan	-	191,884,240	-	191,884,240	208,831,317
TOTAL	**552,189,066**	**2,535,932,757**	**27,099,740**	**3,115,221,563**	**3,141,664,892**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2017 are as follows:

(In thousands of Kazakhstani Tenge)	Level 1	Level 2	Level 3	Total	Carrying amount
ASSETS					
Cash and cash equivalents	-	672,093,044	-	672,093,044	672,098,266
Loans to banks and financial institutions	-	249,351,765	1,860,395	251,212,160	284,059,767
Deposits	-	196,098,624	-	196,098,624	196,098,624
Loans to customers	-	1,728,991,075	233,565,647	1,962,556,722	2,040,393,563
Finance lease receivables (less embedded derivatives)	-	169,134,275	170,435	169,304,710	226,048,910
TOTAL	**-**	**3,015,668,783**	**235,596,477**	**3,251,265,260**	**3,418,699,130**
LIABILITIES					
Customer accounts	-	539,309,735	-	539,309,735	539,309,735
Debt securities issued	627,834,554	465,503,028	-	1,093,337,582	1,125,979,806
Subordinated debt	-	-	3,216,978	3,216,978	5,381,557
Loans from banks and other financial institutions	-	987,064,773	33,270,844	1,020,335,617	1,010,188,639
Loans from the Government of the Republic of Kazakhstan	-	172,907,100	-	172,907,100	180,029,399
TOTAL	**627,834,554**	**2,164,784,636**	**36,487,822**	**2,829,107,012**	**2,860,889,136**

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

40 Presentation of financial instruments by measurement category

As at 31 December 2018 and 2017 all financial liabilities of the Holding, other than derivatives, are carried at amortised cost. Derivative financial instruments are designated at fair value through profit or loss.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2018:

(In thousands of Kazakhstani Tenge)	At amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying value	Fair value
Financial assets measured at fair value					
Financial instruments at fair value through profit or loss	-	130,751,305	-	130,751,305	130,751,305
Loans to customers	-	42,560,471	-	42,560,471	42,560,471
Investment securities	-	17,980,067	386,900,238	404,880,305	404,880,305
Embedded derivatives	-	3,834,190	-	3,834,190	3,834,190
	-	**195,126,033**	**386,900,238**	**582,026,271**	**582,026,271**
Financial assets not measured at fair value					
Cash and cash equivalents	644,172,147	-	-	644,172,147	644,172,147
Loans to banks and financial institutions	275,164,588	-	-	275,164,588	229,571,732
Deposits	153,048,495	-	-	153,048,495	153,048,495
Loans to customers	2,356,872,145	-	-	2,356,872,145	2,277,075,434
Investment securities	196,791,828	-	-	196,791,828	185,256,050
Finance lease receivables (less embedded derivatives)	271,421,039	-	-	271,421,039	221,559,958
Other financial assets	21,180,419	-	-	21,180,419	21,180,419
	3,918,650,661	**-**	**-**	**3,918,650,661**	**3,731,864,235**
TOTAL FINANCIAL ASSETS	**3,918,650,661**	**195,126,033**	**386,900,238**	**4,500,676,932**	**4,313,890,506**

40 Presentation of financial instruments by measurement category (continued)

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2017:

(In thousands of Kazakhstani Tenge)	Loans and receivables	Available for sale assets	Trading assets	Derivative financial instruments	Assets designated at fair value through profit or loss	Finance lease receivables	Total
ASSETS							
Cash and cash equivalents	672,098,266	-	-	-	-	-	672,098,266
Financial instruments at fair value through profit or loss	-	-	5,235,152	73,807,033	68,361,760	-	147,403,945
Loans to banks and financial institutions	284,059,767	-	-	-	-	-	284,059,767
Deposits	196,098,624	-	-	-	-	-	196,098,624
Loans to customers	2,040,393,563	-	-	-	-	-	2,040,393,563
Investment securities available for sale	-	561,438,865	-	-	-	-	561,438,865
Finance lease receivables (less embedded derivatives)	-	-	-	-	-	226,048,910	226,048,910
Other financial assets	28,711,793	-	-	-	-	-	28,711,793
TOTAL FINANCIAL ASSETS	**3,221,362,013**	**561,438,865**	**5,235,152**	**73,807,033**	**68,361,760**	**226,048,910**	**4,156,253,733**

41 Related party transactions

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

The Government of the Republic of Kazakhstan has control over the Holding as the Government of the Republic of Kazakhstan is an ultimate controlling party of the Holding.
The Holding decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state-owned entities.
At 31 December 2018, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	Ultimate parent organisation	Associates and joint ventures	Transactions with state owned entities
ASSETS			
Cash and cash equivalents	148,043,445	-	299,575,753
Loans to customers	-	-	800,101,376
Investment securities measured at fair value through other comprehensive income	267,066,297	-	54,698,376
Investment securities measured at fair value through profit or loss	948,880	-	2,373,028
Investment securities measured at amortised cost	5,375,762	-	178,729,079
Finance lease receivables	-	-	34,045,563
Investment in associates and joint ventures	-	1,082,556	-
Current income tax prepayment	-	-	18,974,333
Deferred income tax asset	-	-	3,844,215
Non-current assets held for sale	-	-	290,386
Other financial and non-financial assets	-	-	33,087,189
LIABILITIES			
Customer accounts	-	-	9,962,797
Debt securities issued	-	-	565,161,745
Subordinated debt	-	-	6,074,969
Loans from banks and other financial institutions	-	-	77,576,764
Loans from Government of the Republic of Kazakhstan	208,831,317	-	-
Deferred income tax liability	-	-	19,366,974
Current income tax liability	-	-	356,912
Other financial and non-financial liabilities	5,897,663	-	421,930,272
Credit related commitments (undrawn credit lines)	-	-	3,407,464

The income and expense items with related parties for 2018 were as follows:

(In thousands of Kazakhstani Tenge)	Ultimate parent organisation	Associates and joint ventures	Transactions with state owned entities
Interest income calculated using the effective interest method	17,267,161	-	86,152,576
Interest expense	(10,433,826)	-	(38,745,782)
Provision for loan portfolio impairment	-	-	(4,459,966)
Fee and commission income	866,220	-	161,434
Fee and commission expense	-	-	(29,483)
Net foreign exchange translation gain	-	-	91,889,339
Net loss from financial assets at fair value through profit or loss	(215,110)	-	(2,601,843)
Other operating income/(expense)	77,246,038	(565,121)	8,721,941
Administrative expenses	(1,653,418)	-	(5,994,120)
Share of financial result of associates and joint ventures	-	(975)	-
Income tax expense	-	-	(17,699,302)

41 Related party transactions (continued)

At 31 December 2017, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
ASSETS			
Cash and cash equivalents	110,459,969	-	243,062,127
Financial instruments at fair value through profit or loss	1,479,517	-	50,909,394
Loans to customers	-	-	723,811,315
Investment securities	253,556,651	-	230,244,569
Finance lease receivables	-	-	24,978,255
Investment in associates and joint ventures	-	1,834,289	-
Current income tax prepayment	-	-	24,073,618
Deferred income tax asset	-	-	4,347,437
Non-current assets held for sale	-	-	127,485
Other financial and non-financial assets	-	-	11,720,238
LIABILITIES			-
Customer accounts	-	-	12,258,482
Debt securities issued	-	-	466,478,087
Subordinated debt	-	-	5,381,557
Loans from banks and other financial institutions	-	-	81,540,143
Loans from Government of the Republic of Kazakhstan	180,029,399	-	-
Deferred income tax liability	-	-	28,421,885
Other financial and non-financial liabilities	1,758,695	-	431,878,900
Credit related commitments (undrawn credit lines)	-	-	14,265,459

The income and expense items with related parties for 2017 were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
Interest income calculated using the effective interest method	17,081,424	-	73,662,077
Interest expense	(7,398,785)	-	(44,085,624)
Provision for loan portfolio impairment	-	-	(8,908,224)
Fee and commission income	-	-	98,365
Fee and commission expense	-	-	(1,123)
Net foreign exchange translation gain	-	-	(3,671,814)
Net gain/(loss) from financial assets at fair value through profit or loss	148,469	35,344	(2,980,690)
Other operating income	89,192,862	-	8,010,236
Administrative expenses	(271,548)	-	(2,120,805)
Share of financial result of associates and joint ventures	-	(558,499)	-
Income tax expense	-	-	(8,189,544)

Key management compensation is presented below:

(In thousands of Kazakhstani Tenge)	**2018**	**2017**
Members of the Board of Directors and Management Board	540,560	430,353
Total	**540,560**	**430,353**

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

In 2018 in the consolidated financial statements accrued key management compensation includes only accrual of compensation to members of the Holding Company’s the Board of Directors and Management Board.

42 Subsequent events

In January 2019, in accordance with the Minutes of the meeting of the Management Council of the National Fund of the Republic of Kazakhstan dated 7 August 2017, No.17-01-9.4, the Holding issued the coupon bonds for the amount of Tenge 5,751,078 thousand with a coupon rate of 0.15% p.a. and maturity in 2026 to finance the housing construction.

In March 2019, in accordance with the Law of the Republic of Kazakhstan dated 30 November 2018 "On the National Budget for 2019-2021", the charter capital of the Holding Company increased by Tenge 34,000,000 thousand to support Kazakhstani producers of non-primary goods and service providers in the foreign markets and enhance their competitiveness through provision of efficient financial measures to support export.

In March 2019, the Holding concluded a loan agreement with the Ministry of Finance of the Republic of Kazakhstan for the amount of Tenge 28,000,000 thousand with interest rate of 0.15% p.a. and maturity in 2039. The intended use of the loan is the provision of preliminary and interim housing loans to the participants of the "Nurly Zher" Program.