



BAITEREK

**Baiterek National Managing Holding
Joint Stock Company**

**Unaudited Condensed Consolidated Interim Financial
Statements**

30 June 2019

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction


We have reviewed the accompanying condensed consolidated interim statement of financial position of Baiterek National Managing Holding Joint Stock Company and its subsidiaries (the "Holding") as at 30 June 2019, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Assel Urdabayeva

Authorised representative (Partner)

KPMG Audit LLC

Nur-Sultan, Republic of Kazakhstan

2 September 2019

«КПМГ Аудит» ЖШС - Қазақстанда тіркелген жауапкершілік шектеулі серіктестік. Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative («KPMG International») қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

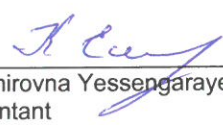
KPMG Audit LLC, a company incorporated under the laws of the Republic of Kazakhstan, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International»), a Swiss entity.

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

<i>(In thousands of Kazakhstani Tenge)</i>	Note	30 June 2019, unaudited	31 December 2018
ASSETS			
Cash and cash equivalents	4	711,212,627	644,172,147
Other financial instruments at fair value through profit or loss		138,773,981	130,751,305
Loans to banks and financial institutions	5	285,425,164	275,164,588
Deposits	6	185,053,359	153,048,495
Loans to customers	7	2,422,238,503	2,399,432,616
Investment securities	8	622,418,936	601,672,133
Finance lease receivables		288,652,335	275,255,229
Investment in associates and joint ventures		1,092,127	1,082,556
Investment property		6,490,537	6,630,998
Current income tax prepayment		21,650,494	18,974,333
Deferred income tax asset		3,946,908	3,844,215
Property, plant and equipment		15,728,597	15,206,946
Intangible assets		4,413,991	3,744,006
Non-current assets held for sale		39,010,303	38,318,211
Other financial assets		24,375,072	21,180,419
Other assets	9	125,080,381	130,368,213
TOTAL ASSETS		4,895,563,315	4,718,846,410
LIABILITIES			
Customer accounts	10	768,860,408	649,472,345
Debt securities issued	11	1,515,188,166	1,439,786,546
Subordinated debt		6,289,713	6,074,969
Loans from banks and other financial institutions	12	664,305,050	837,499,715
Loans from the Government of the Republic of Kazakhstan	13	248,292,683	208,831,317
Current income tax liability		625,648	356,912
Deferred income tax liability		23,728,167	19,366,974
Insurance contract provisions		6,661,348	4,699,589
Liabilities directly associated with disposal groups held for sale		1,169	95,438
Other financial liabilities	14	64,826,725	47,468,591
Other liabilities	15	432,942,440	444,013,320
TOTAL LIABILITIES		3,731,721,517	3,657,665,716
EQUITY			
Share capital	16	895,218,712	846,218,712
Securities fair value reserve		(5,415,647)	(12,280,740)
Foreign currency translation reserve		3,727,260	3,751,446
Business combination reserve and additional paid-in capital		151,380,332	133,682,001
Other reserves		7,908,413	7,964,010
Retained earnings		110,919,614	81,775,074
Net assets attributable to the Holding's owners		1,163,738,684	1,061,110,503
Non-controlling interests		103,114	70,191
TOTAL EQUITY		1,163,841,798	1,061,180,694
TOTAL LIABILITIES AND EQUITY		4,895,563,315	4,718,846,410

Approved for issue and signed by Management on 2 September 2019:


Yersain Yerbulatovich Khamitov
Managing Director


Kuralay Damirovna Yessengarayeva
Chief Accountant

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

<i>(In thousands of Kazakhstani Tenge)</i>	Note	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Interest income calculated using the effective interest method	18	139,237,891	129,121,632
Other interest income	18	17,673,832	15,731,661
Interest expense	18	(83,090,634)	(74,671,206)
Net interest income	18	73,821,089	70,182,087
Provision for loan portfolio impairment	7	(4,247,715)	(9,637,915)
Net interest income after provision for loan portfolio impairment		69,573,374	60,544,172
Fee and commission income		5,698,170	2,402,307
Fee and commission expense		(7,977,436)	(1,954,346)
Net fee and commission (expense)/income		(2,279,266)	447,961
Net gain/(loss) on financial instruments at fair value through profit or loss		554,554	(708,899)
Net foreign exchange (loss)/gain		(1,110,082)	2,787,537
Net (loss)/gain on financial assets at fair value through other comprehensive income		(539,938)	300,951
Net loss resulted from derecognition of financial assets measured at amortised cost		(1,550,426)	-
Net insurance premiums earned		1,105,583	469,251
Net insurance reimbursements incurred and changes in insurance contract provisions		(1,512,294)	(298,181)
Other operating (expense)/income, net	19	(1,694,969)	337,978
Operating income		62,546,536	63,880,770
(Provision for)/recovery of impairment of other financial assets and credit related commitments	20	(2,707,346)	247,000
Administrative expenses	21	(22,017,767)	(19,400,567)
Share of financial result of associates and joint ventures		9,569	9,298
Profit before income tax		37,830,992	44,736,501
Income tax expense	22	(6,308,754)	(8,464,015)
PROFIT FOR THE PERIOD		31,522,238	36,272,486
Profit/(loss) attributable to:			
- owners of the Holding		31,489,315	36,277,277
- non-controlling interests		32,923	(4,791)
PROFIT FOR THE PERIOD		31,522,238	36,272,486

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

<i>(In thousands of Kazakhstani Tenge)</i>	Note	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
PROFIT FOR THE PERIOD		31,522,238	36,272,486
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Securities fair value reserve:			
- Net change in fair value		6,325,155	(4,581,257)
- Net change in fair value transferred to profit or loss		539,938	(306,702)
Translation of financial information of foreign operations to presentation currency		(24,186)	157,760
Amortisation of revaluation reserve for "investment securities measured at fair value through other comprehensive income" reclassified to "loans to customers"		-	(413,889)
Other comprehensive income/(loss) for the period		6,840,907	(5,144,088)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		38,363,145	31,128,398
Total comprehensive income attributable to:			
- owners of the Holding		38,330,222	31,133,189
- non-controlling interests		32,923	(4,791)
Total comprehensive income for the period		38,363,145	31,128,398
Basic and diluted earnings per share (Tenge)	16	36.13	42.87

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Changes in Equity

<i>(In thousands of Kazakhstani Tenge)</i>	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
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, restated (Note 3)	-	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 period, unaudited	-	-	-	-	-	-	36,277,277	36,277,277	(4,791)	36,272,486
Other comprehensive income, unaudited	-	(4,887,959)	(413,889)	157,760	-	-	-	(5,144,088)	-	(5,144,088)
Total comprehensive income for the period, unaudited	-	(4,887,959)	(413,889)	157,760	-	-	36,277,277	31,133,189	(4,791)	31,128,398
Recognition of discount on loans from the Government of the Republic of Kazakhstan, less taxes of Tenge 3,868,282 thousand, unaudited (Note 13)	-	-	-	-	15,473,120	-	-	15,473,120	-	15,473,120
Change of non-controlling interest in subsidiaries, unaudited	-	-	-	-	-	-	-	-	(568,940)	(568,940)
Transfers and other movements, unaudited	-	-	-	-	-	(492,331)	492,331	-	-	-
Restated balance at 30 June 2018, unaudited	846,218,712	(13,066,232)	(413,889)	3,938,195	123,880,653	6,676,920	84,621,393	1,051,855,752	118,082	1,051,973,834

The notes set out on pages 8 to 52 form an integral part of these condensed consolidated interim financial statements.

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Changes in Equity

<i>(In thousands of Kazakhstani Tenge)</i>	Share capital	Securities fair value reserve	Foreign currency translation reserve	Business combination reserve and additional paid-in capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	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
Profit for the period, unaudited	-	-	-	-	-	31,489,315	31,489,315	32,923	31,522,238
Other comprehensive income, unaudited	-	6,865,093	(24,186)	-	-	-	6,840,907	-	6,840,907
Total comprehensive income for the period, unaudited	-	6,865,093	(24,186)	-	-	31,489,315	38,330,222	32,923	38,363,145
Share issue – cash contribution, unaudited (Note 16)	49,000,000	-	-	-	-	-	49,000,000	-	49,000,000
Recognition of discount on loans from the Government of the Republic of Kazakhstan, less taxes of Tenge 4,424,583 thousand, unaudited (Note 13)	-	-	-	17,698,331	-	-	17,698,331	-	17,698,331
Disposal of subsidiary of QazTech Ventures JSC, unaudited (Note 17)	-	-	-	-	-	(2,400,372)	(2,400,372)	-	(2,400,372)
Transfers and other movements, unaudited	-	-	-	-	(55,597)	55,597	-	-	-
Balance at 30 June 2019, unaudited	895,218,712	(5,415,647)	3,727,260	151,380,332	7,908,413	110,919,614	1,163,738,684	103,114	1,163,841,798

The notes set out on pages 8 to 52 form an integral part of these condensed consolidated interim financial statements.

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Cash Flows

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Cash flows from operating activities		
Interest received	131,689,624	121,428,049
Interest paid	(58,193,738)	(51,370,349)
Fee and commission receipts	5,809,359	3,188,444
Fee and commission payments	(7,494,674)	(4,119,542)
Receipts on operations with financial instruments at fair value through profit or loss	406,437	637,877
Net foreign exchange dealing (loss)/gain	(92,777)	452,435
Net insurance premiums receipts	438,016	413,130
Net insurance claims reimbursements	(30,749)	(107,204)
Other operating income received	522,864	2,782,662
Administrative and other operating expenses paid	(22,085,403)	(21,772,812)
Income tax paid	(8,069,328)	(2,736,720)
Cash flows from operating activities before changes in operating assets and liabilities	42,899,631	48,795,970
<i>Net (increase)/decrease in:</i>		
- other financial instruments at fair value through profit or loss	(5,176,128)	51,671,239
- loans to banks and financial institutions	(15,666,451)	(18,722,094)
- deposits	(32,145,608)	23,825,346
- loans to customers	(38,551,581)	(142,050,714)
- finance lease receivables	9,756,288	8,015,672
- other financial assets	4,944,650	771,361
- other assets	(33,414,092)	(16,952,834)
<i>Net increase in:</i>		
- customer accounts	113,311,342	27,376,293
- other financial liabilities	21,664,981	9,027,129
- other liabilities	7,961,442	25,155,874
Net cash from operating activities	75,584,474	16,913,242
Cash flows from investing activities		
Acquisition of investment securities	(287,990,647)	(239,233,571)
Proceeds from disposal and redemption of investment securities	266,114,826	124,240,079
Acquisition of property, equipment and intangible assets	(2,024,831)	(8,030,973)
Proceeds from disposal of property, plant and equipment, intangible assets	433,433	60,100
Proceeds from disposal of investment property	27,000	7,000
Proceeds from disposal of associates and joint ventures	67,850	127,074
Dividends received	9,621	3,986,912
Net cash used in investing activities	(23,362,748)	(118,843,379)

Baiterek National Managing Holding Joint Stock Company
Condensed Consolidated Interim Statement of Cash Flows

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Cash flows from financing activities		
Receipts of loans from banks and other financial institutions	1,500,000	105,630,949
Repayment of loans from banks and other financial institutions	(165,710,432)	(203,029,597)
Receipts of loans from the Government of the Republic of Kazakhstan (Note 13)	64,704,766	46,884,305
Repayment of loans from the Government of the Republic of Kazakhstan	(478,205)	(2,087,628)
Proceeds from debt securities issued (Note 11)	69,828,939	100,465,392
Repayment/repurchase of debt securities issued	(4,734,890)	-
Proceeds from placement of ordinary shares (Note 16)	49,000,000	-
Net cash from financing activities	14,110,178	47,863,421
Effect of changes in exchange rates on cash and cash equivalents	522,535	1,698,753
Effect of movements in impairment allowance on cash and cash equivalents	186,041	(613,647)
Net increase/(decrease) in cash and cash equivalents	67,040,480	(52,981,610)
Cash and cash equivalents at the beginning of the period	644,172,147	672,098,266
Cash and cash equivalents at the end of the period (Note 4)	711,212,627	619,116,656

1 Introduction

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

The Holding was incorporated in accordance with the Decree No.571 dated 22 May 2013 of the President of the Republic of Kazakhstan “On some measures for optimisation of the system of management of the development institutions and financial organisations and development of the national economy” and Decree No.516 dated 25 May 2013 of the Government of the Republic of Kazakhstan “On measures for implementation of the Decree No. 571 dated 22 May 2013 of the President of the Republic of Kazakhstan”. As at 30 June 2019 and 31 December 2018, the ultimate controlling party of the Holding is the Government of the Republic of Kazakhstan.

Principal activity

The Holding Company’s mission is to provide the financial and investment support to non-commodity sector, ensure sustainable development and diversification of the national economy, attract investments, develop the clusters and improve the corporate governance system in its subsidiaries.

The Holding is actively involved in completing national strategic and social tasks through development institutions through the implementation of the “Nurly-Zhol” State Program for Infrastructure Development in 2015-2019, 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”, 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 the Manufacturing Industry, State Program “Leaders of Competitiveness - National Champions”, and 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, Export Insurance Company “KazakhExport” JSC, Damu Entrepreneurship Development Fund JSC, QazTech Ventures JSC (former 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 major subsidiaries included into these condensed consolidated interim financial statements of the Holding:

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, %	
			30 June 2019, unaudited	31 December 2018
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 JSC	Republic of Kazakhstan	100.00	100.00
QazTech Venture JSC (former National Agency for Technological Development JSC)	QTV JSC (former NATD JSC)	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	HCSBK JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Organisation Kazakhstan Mortgage Company JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Guarantee Fund JSC	HCGF JSC	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Project Preparation Fund LLP	KPPF LLP	Republic of Kazakhstan	97.70	97.70

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

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

2 Basis of Preparation

Statement of compliance. The accompanying condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard ("IFRS") IAS 34 *Interim Financial Reporting*. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Holding as at and for the year ended 31 December 2018, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

Basis of measurement. This is the first set of the Holding's condensed consolidated interim financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 3.

The condensed consolidated interim financial statements are prepared on the historical cost basis except that financial assets at fair value through other comprehensive income, investment securities measured at fair value through profit or loss and derivative financial instruments are stated at fair value.

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 condensed consolidated interim financial statements.

Except as indicated, financial information presented in Tenge is rounded to the nearest thousand.

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

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

2 Basis of Preparation, continued

Use of estimates and judgments, continued

In preparing these condensed consolidated interim financial statements the significant judgments made by management in applying the Holding's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Holding's consolidated financial statements for the year ended 31 December 2018, except for the areas described below.

3 Changes in Accounting Policies and Presentation

Except as described below, the accounting policies applied in these consolidated interim condensed financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Holding's consolidated financial statements as at and for the year ending 31 December 2019.

IFRS 16 Leases

The Holding has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Holding, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Definition of a lease

Previously, the Holding determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Holding now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Holding elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Holding allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Holding leases office space, vehicles and equipment.

As a lessee, the Holding previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

The Holding has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Holding recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Transition

The Holding applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

As a lessor

The Holding leases out its investment property. The Holding has classified these leases as operating leases. The accounting policies applicable to the Holding as a lessor are not different from those under IAS 17. The Holding is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Impacts on condensed consolidated interim financial statements

The adoption of IFRS 16 did not have a material effect on the consolidated interim condensed financial statements for the six months ended 30 June 2019.

New amendments and interpretations

A number of new amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Holding's consolidated interim condensed financial statements.

Change in comparative information

When the Holding prepared its condensed consolidated interim financial statements for the six-month period ended 30 June 2018, it recognised a negative opening adjustment to retained earnings at 1 January 2018 of Tenge 41,351,187 thousand in respect of the adoption of IFRS 9. The Holding then adjusted the effect of transition to IFRS 9 by Tenge 8,028,157 thousand, when preparing its the consolidated financial statements for the year ended 31 December 2018, in order to reflect more accurately the impact of IFRS 9 adoption. The comparative information in these condensed consolidated interim financial statements therefore reflects this updated amount of Tenge 49,379,344 thousand as an adjustment to retained earnings at 1 January 2018 in respect of the adoption of IFRS 9, which is consistent with the amount recorded in the Holding's consolidated financial statements for the year ended 31 December 2018.

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

4 Cash and Cash Equivalents

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Cash balances with the National Bank of the Republic of Kazakhstan («NBRK»)	191,985,789	204,839,693
Receivables under reverse repurchase agreements with original maturities of less than three months	191,619,216	162,858,270
Correspondent accounts and overnight placements with other banks	191,009,619	115,714,898
Notes of NBRK maturing within three months	65,646,807	74,962,021
Current accounts	64,323,073	81,521,268
Mandatory reserves with the NBRK	6,293,000	4,785,990
Cash on hand	2,455,209	2,382,146
Total cash and cash equivalents before impairment allowance	713,332,713	647,064,286
Less: impairment allowance	(2,120,086)	(2,892,139)
Total cash and cash equivalents	711,212,627	644,172,147

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 as at 30 June 2019:

<i>(In thousands of Kazakhstani Tenge)</i>	Cash balances with the NBRK, including mandatory reserves, unaudited	Current accounts, unaudited	NBRK notes, unaudited	Correspondent accounts and overnight placements with other banks, unaudited	Total, unaudited
<i>Not past due</i>					
- NBRK, unrated	198,278,789	-	65,646,807	-	263,925,596
- AA- to AA+ rated	-	-	-	28,338,745	28,338,745
- A- to A+ rated	-	2,845,556	-	126,027,845	128,873,401
- BBB- to BBB+ rated	-	15,384,332	-	5,432	15,389,764
- BB- to BB+ rated	-	32,775,408	-	36,637,597	69,413,005
- B- to B+ rated	-	372,314	-	-	372,314
- D rated	-	2,066,088	-	-	2,066,088
- unrated	-	10,879,375	-	-	10,879,375
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	198,278,789	64,323,073	65,646,807	191,009,619	519,258,288
Less: impairment allowance	(6,149)	(2,087,490)	(24,422)	(7)	(2,118,068)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements after impairment allowance	198,272,640	62,235,583	65,622,385	191,009,612	517,140,220

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

4 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 as at 31 December 2018:

<i>(In thousands of Kazakhstani Tenge)</i>	Cash balances with the NBRK, including mandatory reserves	Current accounts	NBRK notes	Correspondent accounts and overnight placements with other banks	Total
<i>Not past due</i>					
- NBRK	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

As at 30 June 2019 and 31 December 2018, 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 191,619,216 thousand and Tenge 194,501,609 thousand, respectively (unaudited) (31 December 2018: Tenge 162,858,270 thousand and Tenge 167,640,149 thousand).

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited		
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit- impaired	Total
Cash and cash equivalents			
Cash on hand	2,455,209	-	2,455,209
NBRK, unrated	263,925,596	-	263,925,596
- rated from AA- to AA+	28,338,745	-	28,338,745
- rated from A- to A+	128,873,401	-	128,873,401
- rated from BBB- to BBB+	15,389,764	-	15,389,764
- rated from BB- to BB+	69,413,005	-	69,413,005
- rated from B- to B+	372,314	-	372,314
- D rated	-	2,066,088	2,066,088
- not rated (Stage 1 – Citibank Kazakhstan JSC)	10,876,918	2,457	10,879,375
Receivables under reverse repurchase agreements with original maturities of less than three months	191,619,216	-	191,619,216
	711,264,168	2,068,545	713,332,713
Loss allowance	(51,741)	(2,068,345)	(2,120,086)
Total cash and cash equivalents	711,212,427	200	711,212,627

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

4 Cash and Cash Equivalents, continued

	31 December 2018		
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit- impaired	Total
<i>(In thousands of Kazakhstani Tenge)</i>			
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

As at 30 June 2019, the Holding had 1 bank (unaudited) (31 December 2018: 1 bank) with aggregated cash and cash equivalent balances above 10.00% of equity. The gross value of this balance as at 30 June 2019 was Tenge 263,925,596 thousand (unaudited) (31 December 2018: Tenge 284,587,704 thousand) or 37.11% of the cash and cash equivalents (unaudited) (31 December 2018: 44.18%).

Currency risk and interest rate analysis of financial instruments at fair value through profit or loss is disclosed in Note 23. Information on financial instruments at fair value through profit or loss issued by related parties is disclosed in Note 29.

5 Loans to Banks and Financial Institutions

	30 June 2019, unaudited	31 December 2018
<i>(In thousands of Kazakhstani Tenge)</i>		
Loans to banks and financial institutions		
- BB- to BB+ rated	128,444,303	115,349,764
- B- to B+ rated	156,692,637	159,399,396
- D rated	3,916,957	3,988,787
- unrated*	14,971,875	16,380,770
Gross loans to banks and financial institutions	304,025,772	295,118,717
Less: impairment allowance	(18,600,608)	(19,954,129)
Total loans to banks and financial institutions	285,425,164	275,164,588

*Unrated loans are mainly issued to micro-financial organisations of the Republic of Kazakhstan.

The following table provides information on the credit quality of the loans to banks and financial institutions as at 30 June 2019 (unaudited) and 31 December 2018:

	30 June 2019, unaudited				POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired			
<i>(In thousands of Kazakhstani Tenge)</i>						
Loans to banks and financial institutions						
- rated from BB- to BB+	128,444,303	-	-	-	-	128,444,303
- rated from B- to B+	140,000,231	3,482,039	12,419,230	791,137	-	156,692,637
- rated D	-	-	3,916,957	-	-	3,916,957
- not rated	10,651,032	4,320,843	-	-	-	14,971,875
	279,095,566	7,802,882	16,336,187	791,137	304,025,772	
Loss allowance	(6,089,220)	(2,783,647)	(9,727,611)	(130)	-	(18,600,608)
Total loans to banks and financial institutions	273,006,346	5,019,235	6,608,576	791,007	285,425,164	

5 Loans to Banks and Financial Institutions, continued

<i>(In thousands of Kazakhstani Tenge)</i>	31 December 2018				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	POCI	
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

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

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	POCI	
Balance as at 1 January	5,265,683	2,895,627	11,792,819	-	19,954,129
Impairment allowance charge/(reversal) during the period, unaudited (Note 20)	823,537	(111,980)	(220,973)	130	490,714
Unwinding of discount on present value of ECLs, unaudited	-	-	24,108	-	24,108
Write-offs, unaudited	-	-	(1,868,343)	-	(1,868,343)
Balance as at 30 June, unaudited	6,089,220	2,783,647	9,727,611	130	18,600,608

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2018, unaudited				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	POCI	
Balance as at 1 January	-	-	26,788,019	-	26,788,019
Impact of adopting IFRS 9, restated	8,239,317	331,709	(3,161,322)	-	5,409,704
Impairment allowance reversal during the period, unaudited (Note 20)	(416,328)	(331,709)	(4,297,991)	-	(5,046,028)
Effect of changes in foreign exchange rates, unaudited	3,759	-	-	-	3,759
Restated balance as at 30 June, unaudited	7,826,748	-	19,328,706	-	27,155,454

As at 30 June 2019 the Holding had no outstanding balances of loans to banks and financial institutions whose total balances exceed 10% of equity, unaudited (31 December 2018: no banks).

Refer to Note 27 for the estimated fair value of each class of amounts of loans to banks and financial institutions. Information on related party balances is disclosed in Note 29.

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

6 Deposits

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Deposits		
- BBB- to BBB+ rated	34,054,428	17,990,852
- BB- to BB+ rated	144,599,410	95,684,942
- B- to B+ rated	7,418,779	41,696,941
- D rated	16,191,586	16,416,077
Gross deposits	202,264,203	171,788,812
Less: impairment allowance	(17,210,844)	(18,740,317)
Total deposits	185,053,359	153,048,495

The following table provides information on the credit quality of the deposits as at 30 June 2019 (unaudited) and 31 December 2018:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
Deposits				
- rated from BBB- to BBB+	34,054,428	-	-	34,054,428
- rated from BB- to BB+	144,523,811	-	75,599	144,599,410
- rated from B- to B+	7,020,937	-	397,842	7,418,779
- D rated	-	-	16,191,586	16,191,586
	185,599,176	-	16,665,027	202,264,203
Loss allowance	(695,717)	-	(16,515,127)	(17,210,844)
Total deposits	184,903,459	-	149,900	185,053,359

<i>(In thousands of Kazakhstani Tenge)</i>	31 December 2018			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	
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

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

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
Balance as at 1 January	1,058,094	6,634	17,675,589	18,740,317
Impairment allowance reversal during the period, unaudited (Note 20)	(357,555)	(6,634)	(1,072,501)	(1,436,690)
Effect of changes in foreign exchange rates, unaudited	(4,822)	-	(87,961)	(92,783)
Balance as at 30 June, unaudited	695,717	-	16,515,127	17,210,844

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

6 Deposits, continued

(In thousands of Kazakhstani Tenge)

	Six-month period ended 30 June 2018, unaudited			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
Balance as at 1 January	-	-	15,709,171	15,709,171
Impact of adopting IFRS 9, restated	2,511,446	88,432	473,145	3,073,023
Impairment allowance reversal during the period, unaudited	(862,281)	-	-	(862,281)
Effect of changes in foreign exchange rates, unaudited	(3,757)	-	88,951	85,194
Decrease due to deposit write-off, unaudited	(59,735)	-	-	(59,735)
Restated balance as at 30 June, unaudited	1,585,673	88,432	16,271,267	17,945,372

As at 30 June 2019 the Holding had no outstanding balances of deposits whose total balances exceed 10% of equity, unaudited (31 December 2018: no banks).

7 Loans to Customers

(In thousands of Kazakhstani Tenge)

	30 June 2019, unaudited	31 December 2018
Loans to customers at amortised cost		
Corporate loans	1,470,941,366	1,614,696,297
Mortgage loans	866,528,293	709,253,863
Loans issued to small and medium entities ("SME")	1,639,099	1,787,726
Accrued interest	93,598,856	89,916,229
Gross loans to customers measured at amortised cost	2,432,707,614	2,415,654,115
Less: impairment allowance on loans	(61,837,295)	(58,781,970)
Total net loans to customers measured at amortised cost	2,370,870,319	2,356,872,145
Loans to customers measured at fair value through profit or loss	51,368,184	42,560,471
Total loans to customers	2,422,238,503	2,399,432,616

During the six-month period ended 30 June 2019, there was made a partial early repayment of USD 301 million (unaudited) for one borrower (the equivalent of Tenge 113,016,406 thousand (unaudited) as at the date of repayment).

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

7 Loans to Customers, continued

Movements in the impairment allowance for loans to customers measured at amortised cost for the six months ended 30 June 2019 and 30 June 2018 are as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	POCI	Total
Provision for loan impairment as at 1 January	(7,302,977)	(28,758,594)	(16,022,364)	(6,698,035)	(58,781,970)
Transfer to Stage 1, unaudited	(102,891)	90,556	12,335	-	-
Transfer to Stage 2, unaudited	47,697	(427,001)	379,304	-	-
Transfer to Stage 3, unaudited	3,349	31,437	(34,786)	-	-
Impairment allowance (charge)/reversal during the period, unaudited	665,458	(5,104,900)	2,814,147	(1,597,760)	(3,223,055)
Transfer to non-current asset held for sale, unaudited	-	-	1,115,027	-	1,115,027
Effect of changes in foreign exchange rates, unaudited	8,595	62,927	336,033	38,413	445,968
Unwinding of discount on present value of ECLs, unaudited	-	-	(512,178)	-	(512,178)
New financial assets originated or purchased	(984,860)	(39,054)	(8,430)	-	(1,032,344)
Other changes, unaudited	153,162	59,575	(61,480)	-	151,257
Provision for loan impairment as at 30 June, unaudited	(7,512,467)	(34,085,054)	(11,982,392)	(8,257,382)	(61,837,295)

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2018, unaudited				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	POCI	Total
Provision for loan impairment as at 1 January	(14,269,102)	(7,499,636)	(133,828,885)	(29,664,477)	(185,262,100)
Impact of adopting IFRS 9, restated	4,794,659	(21,592,967)	402,211	-	(16,396,097)
Impact of adopting IFRS 9 write-offs, restated	-	-	103,762,008	27,632,555	131,394,563
Impairment allowance (charge)/reversal during the period, unaudited	1,745,477	(5,297,891)	(6,085,501)	-	(9,637,915)
Effect of changes in foreign exchange rates, unaudited	(147,983)	(168,583)	(627,744)	-	(944,310)
Other changes, unaudited	(1,892)	-	-	-	(1,892)
Restated provision for loan impairment as at 30 June, unaudited	(7,878,841)	(34,559,077)	(36,377,911)	(2,031,922)	(80,847,751)

As at 1 January 2018 the Holding has written off loans to customers in Stage 3 in the amount of Tenge 103,762,008 thousand and POCI-loans in the amount of Tenge 27,632,555 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.

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

7 Loans to Customers, continued

Credit quality

Analysis by credit quality of loans outstanding as at 30 June 2019 is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited				
	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+	280,599,298	68,336,189	-	-	348,935,487
- rated from BB- to BB+	397,638,026	25,594,639	-	-	423,232,665
- rated from B- to B+	355,471,502	196,019,974	32,777	-	551,524,253
- rated from CCC- to CCC+	18,620,353	171,140,930	25,468,880	943,744	216,173,907
- rated D	-	-	10,632,565	12,439,269	23,071,834
- not rated*	770,422,459	91,883,473	7,373,282	90,254	869,769,468
	1,822,751,638	552,975,205	43,507,504	13,473,267	2,432,707,614
Loss allowance	(7,512,467)	(34,085,054)	(11,982,392)	(8,257,382)	(61,837,295)
Total loans to customers at amortised cost	1,815,239,171	518,890,151	31,525,112	5,215,885	2,370,870,319

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

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited				
	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	761,111,936	82,172,616	1,100,361	90,254	844,475,167
- overdue less than 30 days	9,310,523	6,474,682	387,934	-	16,173,139
- overdue more than 31 days and less than 90 days	-	3,165,656	136,855	-	3,302,511
- overdue more than 91 days and less than 180 days	-	70,519	624,696	-	695,215
- overdue more than 181 days and less than 1 year	-	-	627,380	-	627,380
- overdue more than 1 year	-	-	4,496,056	-	4,496,056
	770,422,459	91,883,473	7,373,282	90,254	869,769,468
Loss allowance	(949,293)	(724,467)	(4,429,693)	-	(6,103,453)
Total mortgage loans at amortised cost	769,473,166	91,159,006	2,943,589	90,254	863,666,015

Analysis by credit quality of loans outstanding at 31 December 2018 is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	31 December 2018				
	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

7 Loans to Customers, continued

The following table sets out information about overdue status of mortgage loans by credit quality stages:

<i>(In thousands of Kazakhstani Tenge)</i>	31 December 2018			POCI	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired		
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

Significant credit exposures. As at 30 June 2019 the Holding had 4 borrowers (unaudited) (31 December 2018: 3 borrowers) with the total amount issued to each borrower above 10% of equity. The gross value of these loans was Tenge 814,271,866 thousand (unaudited) (31 December 2018: Tenge 630,495,327 thousand), or 33.62% of loan portfolio less impairment allowance (unaudited) (31 December 2018: 26.28%).

Refer to Note 27 for the estimated fair value of each class of loans and advances to customers. Information on related party balances is disclosed in Note 29.

Currency risk exposure and interest rate analysis are disclosed in Note 23.

8 Investment securities

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Investment securities measured at amortised cost	400,512,150	196,791,828
Investment securities measured at fair value through other comprehensive income	205,277,260	386,900,238
Investment securities measured at fair value through profit or loss	16,629,526	17,980,067
Total investment securities	622,418,936	601,672,133

Investment securities measured at amortised cost

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Bonds of regional authorities (unrated)	195,115,096	151,082,668
NBRK notes (unrated)	135,700,723	17,697,456
Bonds of Kazakhstani banks	10,991,529	10,620,244
Bonds of Kazakhstani banks (POCI-asset)	8,146,064	7,356,768
Bonds of NWF "Samruk-Kazyna" JSC	6,289,713	6,074,969
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6,597,917	5,375,762
Corporate bonds	42,129,393	2,102,726
Investment securities measured at amortised cost before impairment allowance	404,970,435	200,310,593
Less: impairment allowance	(4,458,285)	(3,518,765)
Total investment securities measured at amortised cost	400,512,150	196,791,828

8 Investment Securities, continued

Bonds of regional authorities. During six month-period ended 30 June 2019 the Holding purchased 75,746,838 bonds issued by the regional authorities at the value of Tenge 1,000 per one bond, which mature in 2021 (unaudited). The bonds bear a coupon rate of 0.35% p.a. (unaudited). Bonds were recognised at fair value of Tenge 66,057,269 thousand (unaudited) measured using a market rate of 8.84%-8.85% p.a. (unaudited). Loss from discount on difference between the nominal value and fair value in the amount of Tenge 10,821,935 thousand (unaudited) was compensated through decrease in the liability for government grant received to purchase these bonds (Note 15). During six month-period ended 30 June 2019 regional authorities repurchased bonds for the amount of Tenge 27,930,958 thousand (unaudited) in accordance with the schedule.

Corporate bonds. During six month-period ended 30 June 2019 the Holding purchased 40,000,000 bonds issued by Novacom Corporation LLC ("Partner") at the value of Tenge 1,000 per one bond, which mature in 2029 in order to finance an investment project for the purchase, development of land plots with a total area of 202 hectares located in Almaty, Turksib district, Kairat village, through the repurchase of Partner bonds (unaudited). At the time of the repurchase of the bonds, the Partner had a long-term credit rating from the S&P Global Ratings rating agency in foreign and national currency at level "B", the outlook was "stable". In accordance with the decision of the Asset and Liability Management Committee of the Holding dated 27 June 2019, a maximum limit for the transaction was set in the amount of Tenge 65,000,000 thousand until 31 December 2029. The coupon rate on bonds is 12.00% p.a. which is the market interest rate.

The following table provides information on the credit quality of the investment securities measured at amortised cost as at 30 June 2019 (unaudited) and 31 December 2018:

30 June 2019, unaudited				
<i>(In thousands of Kazakhstani Tenge)</i>	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	POCI	Total
Investment securities at amortised cost				
NBRK, unrated	135,700,723	-	-	135,700,723
- rated from BBB- to BBB+	6,597,917	-	-	6,597,917
- rated from BB- to BB+	6,289,713	-	-	6,289,713
- rated from B- to B+	51,018,196	-	8,146,064	59,164,260
- not rated	195,115,096	2,102,726	-	197,217,822
	394,721,645	2,102,726	8,146,064	404,970,435
Loss allowance	(933,885)	(2,102,726)	(1,421,674)	(4,458,285)
Total investment securities measured at amortised cost	393,787,760	-	6,724,390	400,512,150
31 December 2018				
<i>(In thousands of Kazakhstani Tenge)</i>	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	POCI	Total
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 measured at amortised cost	190,843,466	-	5,948,362	196,791,828

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

8 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:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited			Total
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	POCI	
Balance as at 1 January	7,633	2,102,726	1,408,406	3,518,765
Impairment allowance charge during the period, unaudited (Note 20)	926,252	-	13,268	939,520
Balance as at 30 June, unaudited	933,885	2,102,726	1,421,674	4,458,285

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2018, unaudited			Total
	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit- impaired		
Balance as at 1 January	-	7,132,406		7,132,406
Impact of adopting IFRS 9 (reclassification), restated	-	(4,463,796)		(4,463,796)
Impact of adopting IFRS 9 (measurement), restated	46,629	-		46,629
Impairment allowance reversal during the period, unaudited (Note 20)	(2,914)	(71,484)		(74,398)
Restated balance as at 30 June, unaudited	43,715	2,597,126		2,640,841

Investment securities measured at fair value through other comprehensive income

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Bonds of the Ministry of Finance of the Republic of Kazakhstan	125,224,361	267,066,297
Bonds of NWF "Samruk-Kazyna" JSC	30,571,698	32,730,003
Bonds of Kazakhstani banks	22,447,712	28,668,144
Bonds of banks from OECD countries	19,851,349	15,826,478
Corporate bonds	6,174,102	6,838,315
NBRK notes	989,129	5,993,282
Bonds of other states	-	16,734,899
Bonds of regional authorities	-	13,023,786
Total debt investment securities measured at fair value through other comprehensive income	205,258,351	386,881,204
Corporate shares	18,909	19,034
Total investment securities measured at fair value through other comprehensive income	205,277,260	386,900,238

As at 30 June 2019 investment securities measured at fair value through other comprehensive income with the carrying amount Tenge 5,502,472 (unaudited) are pledged under repurchase agreements (Note 14).

Currency risk exposure and interest rate analysis are disclosed in Note 23.

Information on investment securities issued by the related parties is disclosed in Note 29.

Baiterek National Managing Holding Joint Stock Company
Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

8 Investment Securities, continued

Investment securities measured at fair value through other comprehensive income, continued

The following table provides information on the credit quality of the investment securities measured at amortised cost as at 30 June 2019 (unaudited) and 31 December 2018:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited Stage 1 12-month ECL	31 December 2018 Stage 1 12-month ECL
NBRK, unrated	989,129	5,993,282
- rated from AA- to AA+	2,357,694	6,370,218
- rated from BBB- to BBB+	149,933,327	300,120,042
- rated from BB- to BB+	47,166,026	55,808,008
- rated from B- to B+	4,503,560	5,422,622
- not rated	308,615	13,167,032
Total debt investment securities measured at fair value through other comprehensive income	205,258,351	386,881,204

Investment securities measured at fair value through profit or loss

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Bonds of Kazakhstani banks (BB- to BB+)	9,866,569	9,788,775
Bonds of Kazakhstani banks (B- to B+)	3,051,353	3,002,714
Corporate bonds (unrated)	2,780,534	4,239,698
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB-)	931,070	948,880
Total investment securities measured at fair value through profit or loss	16,629,526	17,980,067

9 Other Assets

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Advances for equipment to be transferred under finance lease agreements	76,065,151	70,677,802
Assets to be transferred under finance lease agreements	23,281,782	14,267,863
Inventory and consumables	14,686,772	28,841,373
Prepayments for construction in progress	5,321,302	5,618,688
Construction in progress	3,856,669	5,643,479
Prepayments to suppliers for goods and services	2,083,513	2,142,133
Foreclosed assets under finance lease	1,430,868	1,464,457
Prepaid taxes other than on income	1,075,664	993,654
Repossessed collateral	653,878	807,231
Other	824,678	1,521,335
Other assets before impairment allowance	129,280,277	131,978,015
Less: impairment allowance	(4,199,896)	(1,609,802)
Total other assets	125,080,381	130,368,213

Advances for equipment to be transferred under finance lease agreements. The amount of advances for equipment to be transferred under finance lease agreements comprises the advances paid to suppliers in the amount of Tenge 71,366,671 thousand (unaudited) (31 December 2018: Tenge 65,904,605 thousand) and cash deposited under irrevocable letters of credit in the amount of Tenge 4,698,480 thousand (unaudited) (31 December 2018: Tenge : 4,773,197 thousand).

As at 30 June 2019 an impairment allowance of Tenge 2,445,217 thousand was recognised for advances paid under finance lease agreements (31 December 2018: nil), which takes into consideration the terms of restructuring, financial position of a counteragent and availability of the finished goods for transfer.

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9 Other Assets, continued

Inventory. As at 30 June 2019 the Holding has available ready-constructed apartments in residential properties in Aktobe, Ust-Kamenogorsk, Taraz, Atyrau, Aktau, Pavlodar, Kostanai, Kyzylorda, Kokshetau, Uralsk, Shymkent cities under Nurly Zhol State Programme for Infrastructure Development with total carrying amount of Tenge 13,774,728 thousand (unaudited) (31 December 2018: Tenge 28,235,712 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 agreements include housing real estate acquired and constructed by the Holding during the reporting period, which the Holding intends to transfer to lessees in 2019-2020. The main portion of these assets comprises the assets to be transferred under “Nurly Zhol” Programme.

Prepayment for construction in progress. As at 30 June 2019, the prepayments for construction-in-progress comprise advance payments in the amount of Tenge 5,321,302 thousand (31 December 2018: Tenge 5,590,390 thousand) for construction of residential houses as a part of the Nurly-Zhol State Program for Infrastructure Development.

10 Customer Accounts

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
State and public organisations		
- Current accounts	118,645	88,546
Other legal entities		
- Advances received as collateral for customer commitments	4,419,823	9,281,932
- Current accounts	49,431,504	1,094,247
Individuals		
- Term deposits	464,549,424	426,289,096
- Advances received as collateral for customer commitments	234,924,384	199,313,288
- Current accounts/on demand accounts	15,416,628	13,405,236
Total customer accounts	768,860,408	649,472,345

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.

11 Debt Securities Issued

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Other Tenge-denominated bonds	751,016,962	671,772,866
US dollars-denominated Eurobonds	529,705,547	529,437,780
Tenge-denominated Eurobonds	200,143,325	199,976,413
Mortgage bonds	34,322,332	38,599,487
Total debt securities issued	1,515,188,166	1,439,786,546

Baiterek National Managing Holding Joint Stock Company
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11 Debt Securities Issued, continued

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

	<i>(In thousands of Kazakhstani Tenge)</i>		Nominal value		Carrying amount	
			30 June 2019, unaudited	31 December 2018	30 June 2019, unaudited	31 December 2018
KZ2C0Y15G093 (listed)	20.12.2018	27.12.2033	77,700,000	77,700,000	77,809,012	77,782,017
KZP02Y10E820 (listed)	25.05.2016	25.05.2026	65,000,000	65,000,000	65,840,545	65,880,907
KZ2C0Y20F251	25.03.2016	25.03.2036	202,000,000	202,000,000	63,934,413	61,835,624
	13.03.2015,					
KZP01Y20E920	31.03.2015	13.03.2035	170,000,000	170,000,000	63,461,763	61,549,827
KZ2C0Y15F871	25.10.2018	on demand	40,150,000	40,150,000	40,152,732	40,150,736
KZ2C00006088 (listed)	28.06.2019	28.06.2029	40,000,000	-	40,021,111	-
KZ2C0Y20E676	15.04.2014	15.04.2034	100,000,000	100,000,000	39,903,051	38,711,102
KZ2C0Y20E775	10.12.2014	10.12.2034	100,000,000	100,000,000	38,392,307	37,249,114
KZP02Y20E738	26.03.2015	30.06.2022	38,095,125	38,095,125	32,160,167	31,292,745
	28.12.2018,					
KZPO4M87F618	21.01.2019	12.03.2026	50,295,700	44,544,622	29,608,889	25,246,220
KZP01Y07F510 (listed)	06.06.2017	06.06.2024	28,000,000	28,000,000	28,164,606	28,176,285
KZ2C00005908 (listed)	18.06.2019	18.06.2026	23,484,000	-	23,548,290	-
KZP01Y20E730	15.07.2014	15.07.2034	23,000,000	23,000,000	22,383,302	21,806,475
KZP01Y10E822 (listed)	29.12.2014	29.12.2024	20,000,000	20,000,000	20,807,307	20,001,142
KZP02Y05F512 (listed)	31.05.2017	31.05.2022	20,000,000	20,000,000	20,152,535	20,159,793
KZ2C0Y20E742	30.10.2014	30.10.2034	50,000,000	50,000,000	18,958,375	18,382,517
KZP02Y10F264 (listed)	01.08.2016	01.08.2026	17,500,000	17,500,000	18,492,782	18,503,260
	21.01.2015,					
KZP01Y30E879	16.02.2015	21.01.2045	92,500,000	92,500,000	18,052,486	17,513,584
KZP03Y15E827 (listed)	28.07.2016	28.07.2031	15,000,000	15,000,000	15,936,132	15,945,967
KZP01Y09F615	19.10.2017	29.03.2026	21,100,000	21,100,000	11,954,504	11,469,544
KZP03Y15F510 (listed)	22.08.2017	22.08.2032	8,836,000	8,836,000	9,175,611	9,179,859
KZP04Y13F519 (listed)	23.08.2017	23.08.2030	8,836,000	8,836,000	9,177,190	9,181,457
KZP05Y11F518 (listed)	24.08.2017	24.08.2028	8,836,000	8,836,000	9,165,576	9,169,696
KZPO3M89F616	16.10.2018	12.03.2026	15,004,300	15,004,300	8,465,916	8,117,696
KZPO2M92F612	12.07.2018	12.03.2026	10,600,000	10,600,000	6,241,137	6,002,970
KZP02Y20E928	29.09.2015	29.09.2035	15,000,000	15,000,000	5,341,627	5,178,889
KZ2C0Y20F236	03.02.2016	03.02.2036	15,000,000	15,000,000	5,116,856	4,958,080
KZP02Y30E877	29.01.2016	29.01.2046	22,500,000	22,500,000	4,495,208	4,367,947
KZP03Y20E736	09.03.2016	09.03.2036	15,000,000	15,000,000	4,103,532	3,959,413
			1,313,437,125	1,244,202,047	751,016,962	671,772,866

During six-month period ended 30 June 2019, the Holding issued the bonds for the total amount of Tenge 69,235,078 thousand (unaudited):

- unsecured coupon bonds with total nominal value of Tenge 40,000,000 thousand (unaudited) issued with a coupon rate of 9.50% p.a. which mature in 2029. The funds will be used to purchase of debt securities issued by Novacom Corporation LLC (Note 8);

- unsecured coupon bonds with a nominal value of Tenge 23,484,000 thousand (unaudited) issued on 18 June 2019 with a coupon rate of 10.00% p.a. which mature on June 2026;

- unsecured coupon bonds with nominal value of Tenge 5,751,078 thousand (unaudited) issued with a coupon rate of 0.15% p.a. and maturity in 2026. The funds will be used to finance purchase of debt securities issued by the local executive authorities of the regions (cities of Nur-Sultan and Almaty) for the purpose of construction of the housing real estate and its further purchase.

11 Debt Securities Issued, continued

Other Tenge-denominated bonds, continued

During six-month period ended 30 June 2018, the Holding did not issue any other Tenge denominated bonds.

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 during six-month period ended 30 June 2019 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, during six-month period ended 30 June 2019 the Holding accounted for the income of Tenge 2,505,198 thousand (six-month period ended 30 June 2018: none), recognised in other liabilities in the condensed consolidated interim statement of financial position (Note 15).

In determining the fair value of the issued bonds upon initial recognition, the Holding has applied the market interest rate 8.54% p.a. (six-month period ended 30 June 2018: none).

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 4.125% 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. On 4 May 2018 DBK JSC issued bonds denominated in Tenge for the total amount of Tenge 100,000,000 thousand having a coupon rate of 8.95% p.a. (effective interest rate is 9.54%) and maturing on 4 May 2023.

Mortgage bonds. Mortgage bonds comprise debt securities issued by KMC JSC denominated in Tenge and US Dollar. These bonds have floating and fixed coupon rates varying from 2.99% to 10.50% p.a. (effective interest rates vary from 7.00% to 12.72% p. a.) (unaudited). They will be redeemed during 2020-2039. 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.

12 Loans from Banks and Other Financial Institutions

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Loans from National Welfare Fund "Samruk-Kazyna" JSC	74,945,023	84,424,377
Loans with fixed interest rate		
Loans from OECD banks and other financial institutions	13,346,407	15,693,929
Loans from non-OECD banks and other financial institutions	214,197,161	234,504,546
	227,543,568	250,198,475
Loans with floating interest rate		
Loans from non-OECD banks and other financial institutions	376,163,787	520,981,157
	376,163,787	520,981,157
Less unamortised portion of borrowing costs	(14,347,328)	(18,104,294)
	664,305,050	837,499,715

During six-month period ended 30 June 2019, the Holding partially repaid, ahead of schedule, two loans attracted from foreign banks in the total amount of USD 302,118 thousand (equivalent to Tenge 114,964,963 thousand). Incurred on these loans have been expenses of Tenge 1,737,718 thousand (unaudited) as a result of early repayment (Note 19) and commission and fee expenses of Tenge 2,071,300 thousand (unaudited), which have been reimbursed by the borrowers under the terms and conditions of loan agreements.

13 Loans from the Government of the Republic of Kazakhstan

During six-month period ended 30 June 2019 the Holding received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 52,000,000 thousand (unaudited) (six month-period ended 30 June 2018: Tenge 34,000,000 thousand (unaudited)):

- a loan of Tenge 14,000,000 thousand (unaudited) has been provided at the rate of 0.10% p.a. and with maturity in 8 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 10,000,000 thousand (unaudited) has been provided at the rate of 0.10% p.a. and with maturity in 18 years. The 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.

- a loan of Tenge 28,000,000 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.

During six-month period ended 30 June 2018 the following loans have been received:

- a loan of Tenge 10,000,000 thousand (unaudited) 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 24,000,000 thousand (unaudited) 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.

During six-month period ended 30 June 2019 the Holding also received loans from Municipal Authorities in the total amount of Tenge 12,704,766 thousand (unaudited) (six month-period ended 30 June 2018: Tenge 12,884,305 thousand (unaudited)) at the rate of 0.01%-0.10% p.a. and with maturity in 7 years (six month-period ended 30 June 2018: 0.01% p.a. and with maturity in 7 years). The borrowed funds have been received for further distribution to a list of Kazakhstani commercial banks, approved by the Government for the purpose of governmental program supporting the development of Small and Medium Entrepreneurship.

During six-month period ended 30 June 2019, the Holding stated income of Tenge 11,034,674 thousand (unaudited) as government grants (six-month period ended 30 June 2018: Tenge 3,808,188 thousand (unaudited) as government grants), recognised in other liability in the condensed consolidated interim statement of financial position. The Holding used estimated market interest rates of 8.73 – 8.76% p.a (six-month period ended 30 June 2018: 8.70% 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.

The Holding recognised the discount of Tenge 17,698,330 thousand (unaudited) (six-month period ended 30 June 2018: Tenge 15,473,120 thousand) arising upon initial recognition of the loan received with nominal value of Tenge 28,000,000 thousand (unaudited) (six-month period ended 30 June 2018: Tenge 24,000,000 thousand) and interest rate at 0.15% p.a. ((six-month period ended 30 June 2018: 0.15% p.a.) directly in equity as an additional paid-in capital (less effect of the respective income tax of Tenge 4,424,583 thousand (unaudited) ((six-month period ended 30 June 2018: Tenge 3,868,282 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.

14 Other Financial Liabilities

Other financial liabilities comprise the following:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Funds to be transferred under government programme	23,172,040	4,974,063
Commitments to provide loans at a below-market interest rate (Note 19)	12,418,676	10,968,511
Provision for credit related commitments	8,732,275	5,436,899
Amounts placed by customers as security for letters of credit	5,788,533	12,153,573
Amounts payable under repurchase agreements	5,502,472	-
Payables on banking activity	2,745,016	2,929,792
Other accounts payable	2,078,755	1,790,375
Payables for mortgage loans acquired	1,243,140	1,255,499
Interest strip payable	515,364	682,204
Accrued fee and commission expenses	529,178	308,687
Innovation grants received	-	3,082,416
Other	2,101,276	3,886,572
Total other financial liabilities	64,826,725	47,468,591

Funds to be transferred under government programme. Funds to be transferred under government programme 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”.

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.

15 Other Liabilities

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Government grants	397,677,468	411,155,878
Advances received under finance leases	13,193,458	9,013,305
Deferred income on guarantees	6,520,784	5,483,862
Prepayments	5,442,036	7,758,072
Accrued employee benefit costs	2,146,562	2,222,479
Payables to suppliers	1,308,963	1,617,096
Taxes payable other than on income	945,765	572,721
Deferred income	581,416	773,663
Follow-up control of performance of liabilities	331,968	422,057
Other	4,794,020	4,994,187
Total other liabilities	432,942,440	444,013,320

15 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, NWF Samruk-Kazyna JSC and Ministry of Finance of the Republic of Kazakhstan.

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Balance as at 1 January	411,155,878	415,095,872
Government grant on loans received from the Government of the Republic of Kazakhstan through receipt of Loan from the Government (Note 13)	11,034,674	3,808,188
Government grants received from the Government of the Republic of Kazakhstan by means of issue of debt securities (Note 11)	2,505,198	-
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	(1,121,874)	(2,656,701)
Utilisation of government grant for commissioning of residential properties under housing credit and lease agreements, under Nurly Zher program	(1,754,390)	(2,089,939)
Utilisation of government grants upon issuance of finance lease agreements	(3,236,665)	(2,283,584)
Utilisation of government grants upon issuance of low interest loans to commercial banks	(4,835,632)	(5,163,514)
Amortisation for the period	(5,247,786)	(4,355,855)
Utilisation of government grant for bonds of local executive bodies under Nurly Zher program (Note 8)	(10,821,935)	(6,554,692)
Utilisation of government grant for loan issued under Nurly Zher program	-	(1,082,362)
Recalculation of government grant due to partial repayment of principal	-	(1,012,736)
Balance as at 30 June, unaudited	397,677,468	393,704,677

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 5, 7, and 8). The Holding is responsible for allocation of benefits to the ultimate borrowers through low interest loans.

During the period ended 30 June 2019 the government grants transferred to profit or loss (Note 19) amounted to Tenge 12,959,682 thousand (unaudited) (30 June 2018: Tenge 14,266,009 thousand (unaudited)) and were included in other expenses.

16 Share Capital

<i>(In thousands of Kazakhstani Tenge, except for number of shares)</i>	30 June 2019, unaudited	31 December 2018
Authorised ordinary shares	5,000,086,550	5,000,086,550
Authorised but not issued ordinary shares	(4,104,867,838)	(4,153,867,838)
Total issued shares paid	895,218,712	846,218,712
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	895,218,712	846,218,712

Each ordinary share carries one vote.

During the six-month-period ended 30 June 2019, the Holding Company received two cash contributions to share capital of Tenge 49,000,000 thousand (unaudited) (six-month period ended 30 June 2018: did not receive any cash contribution to share capital (unaudited)).

Dividends declared. During six-month periods ended 30 June 2019 and 30 June 2018, the Holding neither declared nor distributed dividends.

16 Share Capital, continued

Carrying amount of ordinary shares. 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:

<i>(In Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Carrying amount of ordinary shares	1,295.13	1,249.60

As at 30 June 2019 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 1,159,427,807 thousand (31 December 2018: Tenge 1,057,436,688 thousand) by the total number of outstanding shares of 895,218,712 (31 December 2018: 846,218,712 shares).

Earnings per share

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Profit for the period attributable to owners of the Holding	31,489,315	36,277,277
Issued ordinary shares at the beginning of the period	846,218,712	846,218,712
Weighted average number of ordinary shares for the period ended 30 June	871,485,379	846,218,712
Earnings per share		
Basic and diluted earnings per share (Tenge)	36.130	42.870

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*.

17 Disposal of Second-Level Subsidiary

During the six-month period ended 30 June 2019, in accordance with the decision of the Sole Shareholder and Resolution of Akimat of the city of Almaty dated 7 June 2019 No.2/369, the Holding transferred 100% interest in the charter capital of Alatau Technopark LLC based on the deed of gift dated 7 June 2019, No. Д-19/04.

As a result of transaction, the Holding recognised loss on disposal of second-level subsidiary of Tenge 2,400,372 thousand directly in the capital, as a transaction performed according to the decision of the shareholder.

The disposal of the second-level subsidiary had the following effect on the Holding's assets and liabilities at the date of disposal:

<i>(In thousands of Kazakhstani Tenge)</i>	Unaudited Carrying value as at the date of disposal
Non-current assets	
Property, plant and equipment	2,081,854
Current assets	
Other current assets	331,352
Cash and cash equivalents	1,814
Current liabilities	
Other current liabilities	(14,648)
Net identified assets and liabilities	2,400,372
Cash and cash equivalents disposed of	(1,814)
Net cash outflow	(1,814)

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18 Net Interest Income

	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Interest income calculated using the effective interest method		
Loans to customers	82,448,614	72,736,339
Investment securities measured at amortised cost	15,016,429	9,815,428
Cash and cash equivalents	14,032,641	15,496,421
Loans to banks and financial institutions	12,127,901	11,826,589
Investment securities measured at fair value through other comprehensive income	9,132,910	11,568,879
Deposits	6,300,956	7,612,370
Other	178,440	65,606
Total interest income calculated using the effective interest method	139,237,891	129,121,632
Other interest income		
Finance lease receivables	14,237,636	12,253,848
Loans to customers	2,982,418	2,754,970
Financial instruments at fair value through profit or loss	453,778	722,843
Total other interest income	17,673,832	15,731,661
Interest expense		
Debt securities issued	(51,906,786)	(43,315,123)
Loans from banks and other financial institutions	(17,856,128)	(20,939,432)
Loans from the Government of the Republic of Kazakhstan	(6,765,846)	(5,095,179)
Customer accounts	(6,263,795)	(4,787,037)
Subordinated debt	(220,487)	(488,526)
Other	(77,592)	(45,909)
Total interest expense	(83,090,634)	(74,671,206)
Net interest income	73,821,089	70,182,087

19 Other Operating (Expense)/Income, net

	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Other income from utilisation of government grants (Note 15)	12,959,682	14,266,009
Gain from early prepayment of loans	2,794,797	785,201
Gain from sales of non-current assets held for sale	263,818	96,740
Gain from sale of own property	227,102	332,427
Fines and penalties	66,748	46,130
Rental income on investment property	42,066	20,315
Revenue from provision of services or sale of goods	25,604	285,469
Expense on valuation of liabilities on provision of loans at below market rates (Note 14)	(1,450,165)	-
Loss from repayment of loans from banks and other financial institutions before maturity (Note 12)	(1,737,718)	-
Charge for of impairment of other assets	(2,687,939)	(205,122)
Expenses in the form of negative adjustment of value of the loan issued	(11,947,720)	(14,928,168)
Other, net	(251,244)	(361,023)
Total other operating (expense)/income, net	(1,694,969)	337,978

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20 (Provision for)/Recovery of Impairment of Other Financial Assets and Credit Related Commitments

	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Deposits (Note 6)	1,436,690	862,281
Cash and cash equivalents	177,269	(535,106)
Other financial assets	130,926	(454,975)
Investment securities measured at fair value through other comprehensive income	(19,987)	9,145
Finance lease receivables	(35,357)	(3,841,145)
Loans to banks and financial institutions (Note 5)	(490,714)	5,046,028
Investment securities measured at amortised cost (Note 8)	(939,520)	74,398
Contingent liabilities	(2,966,653)	(913,626)
Total (provision for)/recover of impairment of other financial assets and credit related commitments	(2,707,346)	247,000

21 Administrative Expenses

	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
<i>(In thousands of Kazakhstani Tenge)</i>		
Personnel costs	12,121,117	9,685,840
Professional services	1,904,210	1,757,299
Depreciation of property, plant and equipment	955,031	767,170
Repair and technical equipment	718,701	432,389
Taxes other than on income	647,264	1,248,169
Communications services	560,549	321,832
Amortisation of software and other intangible assets	489,278	395,250
Administrative expense of the Board of Directors	452,827	363,399
Business trip expenses	378,458	435,795
Advertising and marketing services	346,124	135,620
Utilities	337,836	307,186
Operating lease expense	320,219	700,371
Information services	230,250	154,253
Insurance	228,965	181,465
Security services	222,673	105,221
Staff training	206,551	103,301
Expenses on realisation of Damu EDF JSC programmes	199,574	266,071
Charity and sponsorship	120,000	-
Transportation services	114,179	89,029
Materials	95,566	138,823
Other	1,368,395	1,812,084
Total administrative expenses	22,017,767	19,400,567

22 Income Tax Expense

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Current tax	6,282,546	17,131,789
Deferred tax	26,208	(8,667,774)
Income tax expense for the period	6,308,754	8,464,015

The income tax rate applicable to the Holding's six-month period ended 30 June 2019 income is 20% (six-month period ended 30 June 2018: 20%).

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

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Profit before income tax	37,830,992	44,736,501
Income tax at the applicable tax rate	7,566,198	8,947,300
- Non-taxable income on securities	(4,221,904)	(3,996,044)
- Other non-taxable income	(1,171,700)	(1,524,079)
- Non-deductible impairment losses	1,008,277	4,015,612
- Non-deductible expenses on revaluation of loans measured at fair value	199,282	-
- Other non-deductible expenses	2,870,438	2,400,360
- Adjustment of current income tax expense for prior years	(158,390)	818,180
- Change in unrecognised deferred tax assets	119,269	535,349
- Restructuring of private equity funds*	-	(2,434,567)
- Other permanent differences	97,284	(298,096)
Income tax expense for the period	6,308,754	8,464,015

* During the six-month period ended 30 June 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 2,434,567 thousand due to transfer of assets.

23 Financial Risk Management

Management of risk is fundamental to the business and is an essential element of the Holding's operations. The major risks faced by the Holding are those related to market risk, credit risk and liquidity risk.

As at 30 June 2019, there were no significant changes in relation to liquidity risk exposure since 31 December 2018.

23 Financial Risk Management, continued

Currency risk

The Holding has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. The table below summarises the Holding exposure to foreign currency exchange rate risk as at 30 June 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	Tenge, unaudited	US Dollars, unaudited	Euro, unaudited	Other, unaudited	Total, unaudited
ASSETS					
Cash and cash equivalents	453,490,671	249,537,357	6,895,955	1,288,644	711,212,627
Other financial instruments at fair value through profit or loss	297,017	-	-	-	297,017
Loans to banks and financial institutions	285,425,164	-	-	-	285,425,164
Deposits	156,285,413	22,252,610	-	6,515,336	185,053,359
Loans to customers	1,589,469,720	818,910,282	13,100,144	758,357	2,422,238,503
Investment securities measured at fair value through profit or loss	16,629,526	-	-	-	16,629,526
Investment securities measured at fair value through other comprehensive income	168,470,571	36,517,996	-	288,693	205,277,260
Investment securities measured at amortised cost	400,512,150	-	-	-	400,512,150
Finance lease receivables*	288,652,335	-	-	-	288,652,335
Other financial assets	23,388,934	918,531	1,102	66,505	24,375,072
Total monetary financial assets	3,382,621,501	1,128,136,776	19,997,201	8,917,535	4,539,673,013
LIABILITIES					
Customer accounts	717,397,365	51,384,051	78,992	-	768,860,408
Debt securities issued	985,482,619	529,705,547	-	-	1,515,188,166
Subordinated debt	6,289,713	-	-	-	6,289,713
Loans from banks and other financial institutions	99,779,682	536,259,207	12,108,335	16,157,826	664,305,050
Loans from the Government of the Republic of Kazakhstan	247,860,470	432,213	-	-	248,292,683
Insurance contract provisions	6,661,348	-	-	-	6,661,348
Other financial liabilities	58,031,782	2,965,514	3,803,391	26,038	64,826,725
Total monetary financial liabilities	2,121,502,979	1,120,746,532	15,990,718	16,183,864	3,274,424,093
Net position before derivatives	1,261,118,522	7,390,244	4,006,483	(7,266,329)	1,265,248,920
Claims on derivatives	-	23,212,330	-	-	23,212,330
Liabilities on derivatives	(11,150,000)	-	-	-	(11,150,000)
Total net position	1,249,968,522	30,602,574	4,006,483	(7,266,329)	1,277,311,250

* These assets contain embedded derivatives which become effective if the US Dollar or Euro appreciates against Tenge.

23 Financial Risk Management, continued

Currency risk, continued

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

<i>(In thousands of Kazakhstani Tenge)</i>	Tenge	US Dollars	Euro	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

* These assets contain embedded derivatives which become effective if the US Dollar or Euro appreciates against Tenge.

The above derivative financial instruments are the monetary financial assets or monetary financial liabilities and represent the fair value at the end of the reporting period of a relevant currency.

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:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
US Dollar strengthening by 20% (2018: strengthening by 20%)	4,896,412	7,408,024
US Dollar weakening by 20% (2018: weakening by 20%)	(4,896,412)	(7,408,024)
EUR strengthening by 20% (2018: strengthening by 20%)	641,037	197,531
EUR weakening by 20% (2018: weakening by 20%)	(641,037)	(197,531)
Other currencies strengthening by 20% (2018: strengthening by 20%)	(1,162,613)	(1,391,467)
Other currencies weakening by 20% (2018: weakening by 20%)	1,162,613	1,391,467

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

23 Financial Risk Management, continued

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 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.

The Holding considers capital as at 30 June 2019 as net assets, which is Tenge 1,163,738,684 thousand (unaudited) (31 December 2018: Tenge 1,061,110,503 thousand). The Holding does not have regulatory capital requirements. As at 30 June 2019 and 31 December 2018, the Holding's subsidiaries complied with all the capital adequacy ratios by exceeding the minimum requirements.

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.

<i>(In thousands of Kazakhstani Tenge)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non- monetary	Non- interest	Total
30 June 2019							
Total financial assets, unaudited	894,312,077	520,083,407	219,496,063	2,735,270,617	126,414,634	182,573,179	4,678,149,977
Total financial liabilities, unaudited	(249,429,690)	(291,333,542)	(175,359,222)	(2,492,020,426)	-	(66,281,213)	(3,274,424,093)
Net interest sensitivity gap at 30 June 2019, unaudited	644,882,387	228,749,865	44,136,841	243,250,191	126,414,634	116,291,966	1,403,725,884
31 December 2018							
Total financial assets	1,094,126,887	300,183,737	185,823,086	2,686,229,371	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	317,120,964	116,043,296	77,269,477	1,306,843,860

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 at 30 June 2019 and 31 December 2018 is as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019 unaudited	31 December 2018
Parallel increase by 100 basis points (2018: 100 basis points)	6,328,621	4,990,268
Parallel decrease by 100 basis points (2018: 100 basis points)	(6,328,621)	(4,990,268)

23 Financial Risk Management, continued

Interest rate risk, continued

The Holding monitors interest rates for its financial instruments. The table below summarises weighted average effective 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:

	30 June 2019, unaudited			31 December 2018		
	Tenge	US Dollar	Other	Tenge	US Dollar	Other
Assets						
Cash and cash equivalents	6.55%	1.45%	1.01%	7.24%	0.84%	0.81%
Other financial instruments at fair value through profit or loss	-	-	-	-	-	-
Loans to banks and financial institutions	4.93%	-	-	5.69%	-	-
Deposits	7.76%	1.26%	2.10%	5.86%	1.46%	-
Loans to customers	8.52%	5.99%	5.99%	8.37%	5.94%	6.05%
Investment securities measured at fair value through other comprehensive income	7.48%	2.70%	4.30%	7.79%	3.90%	5.38%
Investment securities measured at fair value through profit or loss	6.65%	-	-	7.14%	-	-
Investment securities measured at amortised cost	8.57%	-	-	8.41%	-	-
Finance lease receivables	5.48%	-	-	5.63%	-	-
Liabilities						
Customer accounts	1.99%	-	-	2.02%	-	-
Debt securities issued	8.53%	6.37%	-	8.59%	6.37%	-
Subordinated debt	7.67%	-	-	7.67%	-	-
Loans from banks and other financial institutions	6.22%	3.83%	5.80%	5.94%	3.86%	7.47%
Loans from the Government of the Republic of Kazakhstan	5.57%	-	-	6.48%	-	-

24 Analysis by Segment

The Holding's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Holding's assets are concentrated in the Republic of Kazakhstan, and the Holding's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Holding, the Chairman of the Management Board, only receives and reviews the information on the Holding as a whole.

25 Contingencies and Commitments

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 is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 Contingencies and Commitments, continued

Investment related contingencies. The Holding purchases shares in private equity funds to include in its portfolio. The Holding diversifies the investment portfolio by distributing investments among managers, relevant industries, territories and investment stages. As at 30 June 2019 the contingent capital commitments totalled Tenge 67,523,032 thousand (unaudited) (31 December 2018: Tenge 59,098,755 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 at 30 June 2019 and 31 December 2018, 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 30 June 2019 and 31 December 2018.

Insurance. The insurance industry in the Republic of Kazakhstan is in a developing stage 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 an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

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

<i>(In thousands of Kazakhstani Tenge)</i>	30 June 2019, unaudited	31 December 2018
Commitments to extend credit that are irrevocable or revocable only in response to a material adverse change	24,353,658	20,467,228
Undrawn credit lines that are irrevocable or revocable only in response to a material adverse change	510,815,700	332,418,686
Financial guarantees issued	139,149,584	136,987,618
Contingent commitments on innovation grants allocation	428,565	8,822,271
Total credit related commitments less provision	674,747,507	498,695,803

As at 30 June 2019 undrawn credit lines include the amount of Tenge 337,447,915 thousand (unaudited) related to seven borrowers (31 December 2018: Tenge 175,561,975 thousand related to thirteen borrowers), which, when aggregated with current amount of loans in the amount of Tenge 608,866,034 thousand (unaudited) (31 December 2018: Tenge 604,867,029 thousand) comprise a significant credit exposure.

As at 30 June 2019 financial guarantee issued include the amount of Tenge 64,238,000 thousand (unaudited) related to four financial institutions and organisations (31 December 2018: Tenge 62,918,000 thousand) comprise a significant credit exposure.

26 Derivative Financial Instruments

Type of instrument	Notional amount	Maturity	Amounts payable by the Holding	Amounts receivable by the Holding	Fair value of Asset	Fair value of Liability
30 June 2019, unaudited						
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	12,172,768	(6,471)
Currency swap	Tenge 5,019,118 thousand	15.06.20	-	Tenge 5,019,118 thousand at maturity	140,799	-
Options	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					12,313,567	(6,471)

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)

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.

27 Fair Value of Financial Instruments

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 condensed consolidated interim 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:

<i>(In thousands of Kazakhstani tenge)</i>	30 June 2019, unaudited				31 December 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
Other financial instruments at fair value through profit or loss	-	52,251	126,414,634	126,466,885	-	45,867	117,994,926	118,040,793
Loans to customers	-	-	51,368,184	51,368,184	-	-	42,560,471	42,560,471
Investment securities measured at fair value	35,518,005	184,665,600	1,723,181	221,906,786	202,790,248	200,417,078	1,672,979	404,880,305
Embedded derivative	-	-	5,555,806	5,555,806	-	-	3,834,190	3,834,190
Derivative financial instruments	-	12,307,096	-	12,307,096	-	12,710,512	-	12,710,512
TOTAL ASSETS AT FAIR VALUE	35,518,005	197,024,947	185,061,805	417,604,757	202,790,248	213,173,457	166,062,566	582,026,271

27 Fair Value of Financial Instruments, continued

Level 2 measurements. Level 2 includes Investment securities measured at fair value 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 the instruments are listed at the Kazakhstani Stock Exchange, management believes that market for identical instruments is not active.

The Holding applies the discounted cash flow method for investment securities and financial assets at fair value 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 six-month periods ended 30 June 2019 and during the year ended 31 December 2018.

Level 3 measurements. Certain Investment securities measured at fair value 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 designated as level 3 include contributions to investment funds at fair value though profit or loss. These funds invest primarily in private equity through acquisition of unquoted ordinary shares of the companies from transition economies (mainly, the Republic of Kazakhstan and Russia). The Holding applies fair value of investments recorded in the statements of each fund and estimates the basis for material differences between fair value measured and fair value stated by the fund managing companies.

The appraiser applies a range techniques to measure cost of base portfolio investments depending on the nature of business under review, availability of comparable items at the market, and stage of the company'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 input, measurement adjustments and significant changes in fair value measurement of Level 3 instruments as compared with the prior period.

There were no significant changes in valuation technique, observable inputs and assumptions for level 3 recurring fair value measurements during the six-month period ended 30 June 2019 (the six-month period ended 30 June 2018: none).

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Notes to the Condensed Consolidated Interim Financial Statements – 30 June 2019

27 Fair Value of Financial Instruments, continued

Level 3 measurements, 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 30 June 2019 (unaudited), 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
	20,778,741	Black Scholes option pricing model	Volatility coefficient	+/- 5%	1,038,937
	620,767	Comparative approach	According to market quotes	+/- 5%	31,038
Power engineering	92,860	Income approach	Discounted CF	+/- 5%	4,643
	5,107,728	Comparative approach	EBITDA/multiplier	+/- 5%	255,386
	4,242,000	Cost approach	According to historical cost	+/- 5%	212,100
	3,078,625	Income approach	Discounted CF	+/- 5%	153,931
Alternative power engineering	27,859	Cost approach	According to historical cost	+/- 5%	1,393
	40,150,121	Adjusted NAV	NAV	+/- 5%	2,007,506
	7,548,036	Income approach	Discounted CF	+/- 5%	377,402
	3,490,106	Income approach	Discounted CF	+/- 5%	174,505
	3,359,583	Cost approach	Adjustment to NAV	+/- 5%	167,979
	3,275,724	Cost approach	Adjustment to NAV	+/- 5%	163,786
	2,947,803	Cost approach	According to historical cost	+/- 5%	147,390
Transportation and logistics services	322,999	Cost approach	According to historical cost	+/- 5%	16,150
Real estate	1,642,520	Cost approach	Adjustment to NAV	+/- 5%	82,126
	3,036,834	Income approach	Discounted CF	+/- 5%	151,842
	1,028,458	Cost approach	Adjustment to NAV	+/- 5%	51,423
	1,000,000	Cost approach	According to historical cost	+/- 5%	50,000
Processing industry	113,350	Cost approach	Adjustment to NAV	+/- 5%	5,668
Natural resources	1,122,124	Cost approach	According to historical cost	+/- 5%	56,106

Baiterek National Managing Holding Joint Stock Company
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27 Fair Value of Financial Instruments, continued

Level 3 measurements, continued

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
	1,509,859	Cost approach	Adjustment to NAV	+/- 5%	75,493
	1,111,338	Cost approach	Adjustment to NAV	+/- 5%	55,567
	594,965	Cost approach	Adjustment to NAV	+/- 5%	29,748
	508,578	Cost approach	Adjustment to NAV	+/- 5%	25,429
Medical diagnostics	233,293	Cost approach	Adjustment to NAV	+/- 5%	11,665
	3,457,800	Cost approach	According to historical cost	+/- 5%	172,890
	2,361,210	Cost approach	According to historical cost	+/- 5%	118,061
Agriculture	1,411,363	Cost approach	According to historical cost	+/- 5%	70,568
	1,137,018	Cost approach	EBITDA/multiplier	+/- 5%	56,851
	368,857	Comparative approach	According to market quotes	+/- 5%	18,443
	242,726	Cost approach	According to historical cost	+/- 5%	12,136
Financial services	197,066	Comparative approach	According to historical cost	+/- 5%	9,853
Electrical industry	873,115	Income approach	Discounted CF	+/- 5%	43,656
	3,132,466	Income approach	Discounted CF	+/- 5%	156,623
	774,769	Cost approach	According to historical cost	+/- 5%	38,738
Entertainment	187,696	Cost approach	According to historical cost	+/- 5%	9,385
	76,024	Income approach	Discounted CF	+/- 5%	3,801
Telecom services	75,271	Income approach	Discounted CF	+/- 5%	3,764
Technology	1,814,758	Comparative approach	EBITDA/(multiplier)	+/- 5%	90,738
Other	3,360,224	-	-	-	-
Total	126,414,634				

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27 Fair Value of Financial Instruments, continued

Level 3 measurements, continued

The table below demonstrates valuation techniques and inputs used in fair value measurement for level 3 measurements of other financial assets at fair value through profit or loss, and sensitivity of measurement to changes in inputs as at 31 December 2018:

<u>Company industries</u>	<u>Fair value of the Holding's interest</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Reasonable shift</u>	<u>Fair value measurement sensitivity to shifts in unobservable inputs</u>
	14,236,992	Black Scholes option pricing model	Volatility coefficient	+/- 5%	711,850
Power engineering	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
	5,175,547	Comparative approach	EBITDA/(multiplier)	+/- 5%	258,777
Unconventional energy	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
	40,150,121	Adjusted NAV	NAV	+/- 5%	2,007,506
	8,275,000	Income approach	Discounted CF	+/- 5%	413,750
Transportation and logistics services	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
	3,832,991	Income approach	Discounted CF	+/- 5%	191,650
Manufacturing	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
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
Medical diagnostics	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

27 Fair Value of Financial Instruments, continued

Level 3 measurements, 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
	2,987,616	Comparative approach	EBITDA/(multiplier)	+/- 5%	149,381
Entertainment	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				

27 Fair Value of Financial Instruments, continued

Level 3 measurement, continued

The table below sets out information about significant unobservable inputs used at the end of the period in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 30 June 2019 (unaudited):

<i>(in thousands of Kazakhstani tenge)</i>	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Sensitivity of fair value measurement to unobservable inputs
<i>Loans to customers measured at FVTPL</i>	51,368,184	Discounted cash flow	Discount rate	USD 6.11%, KZT 12.58%- 14.46%	Significant increase in discount rate would result in lower fair value
<i>Embedded derivative</i>	5,555,806	Option model	Volatility of foreign exchange rate	USD 10.43%, RUB: 5.32%	Significant increase in volatility would result in higher fair value
<i>Investment securities measured at fair value</i>	1,723,181	Discounted cash flows	Discount rate	14.45%- 15.00%	Significant increase in discount rate would result in lower fair value

The table below sets out information about significant unobservable inputs used at the year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2018:

<i>(In thousands of Kazakhstani Tenge)</i>	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Sensitivity analysis of fair value to unobservable inputs
<i>Loans to customers measured at FVTPL</i>	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
<i>Embedded derivative</i>	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
<i>Investment securities measured at fair value</i>	1,672,979	Discounted cash flows	Discount rate	8.78%- 10.78%	Significant increase in discount rate would result in lower fair value

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

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

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27 Fair Value of Financial Instruments, continued

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the six-month period ended 30 June 2019 is as follows (unaudited):

<i>(in thousands of Kazakhstani tenge)</i>	Financial instruments at fair value through profit or loss	Investment securities measured at fair value	Embedded derivatives	Loans to customers measured at fair value through profit or loss
Fair value as at 1 January 2019	117,994,926	1,672,979	3,834,190	42,560,471
Gains or losses recognised in profit or loss for the period, unaudited	3,491,017	55,655	1,934,851	(4,711,318)
Purchases, net, unaudited	5,198,528	-	-	14,166,759
Repayments, unaudited	(269,837)	(5,453)	(213,235)	(647,728)
Fair value at 30 June 2019, unaudited	126,414,634	1,723,181	5,555,806	51,368,184

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the six-month period ended 30 June 2018 is as follows:

<i>(in thousands of Kazakhstani tenge)</i>	Financial instruments at fair value through profit or loss	Investment securities measured at fair value	Embedded derivatives	Derivative financial instruments
Fair value as at 1 January 2018	68,361,760	1,723,596	4,603,837	48,566,034
Gains or losses recognised in profit or loss for the period, unaudited	(3,960,383)	18,860	(1,611,871)	(2,692,538)
Purchases, net, unaudited	982,058	-	269,951	-
Sales, unaudited	(6,645,739)	-	-	-
Repayments, unaudited	(130,164)	(74,310)	(12,481)	(45,873,496)
Fair value at 30 June 2018, unaudited	58,607,532	1,668,146	3,249,436	-

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27 Fair Value of Financial Instruments, 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 30 June 2019 are as follows (unaudited):

<i>(In thousands of Kazakhstani Tenge)</i>	Unaudited Level 1	Unaudited Level 2	Unaudited Level 3	Unaudited Total	Unaudited Carrying amount
ASSETS					
Cash and cash equivalents	-	711,212,627	-	711,212,627	711,212,627
Loans to banks and financial institutions	-	217,743,512	4,722,565	222,466,077	285,425,164
Deposits	-	185,053,359	-	185,053,359	185,053,359
Loans to customers	-	2,190,684,123	129,914,475	2,320,598,598	2,370,870,319
Investment securities measured at amortised cost	-	395,924,056	764,905	396,688,961	400,512,150
Finance lease receivables (less embedded derivatives)	-	228,442,090	420,958	228,863,048	283,096,529
TOTAL	-	3,929,059,767	135,822,903	4,064,882,670	4,236,170,148
LIABILITIES					
Customer accounts	-	768,860,408	-	768,860,408	768,860,408
Debt securities issued	779,561,377	742,614,951	-	1,522,176,328	1,515,188,166
Subordinated debt	-	1,782,005	-	1,782,005	6,289,713
Loans from banks and other financial institutions	-	643,010,389	17,183,500	660,193,889	664,305,050
Loans from the Government of the Republic of Kazakhstan	-	253,753,628	-	253,753,628	248,292,683
TOTAL	779,561,377	2,410,021,381	17,183,500	3,206,766,258	3,202,936,020

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:

<i>(In thousands of Kazakhstani Tenge)</i>	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

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 in the range of 4%-25% for new instruments with similar credit risk and remaining maturity.

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28 Presentation of Financial Instruments by Measurement Category

As at 30 June 2019 and 31 December 2018, all financial liabilities of the Holding, other than derivative financial instruments, 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 30 June 2019 (unaudited):

<i>(In thousands of Kazakhstani Tenge)</i>	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	-	138,773,981	-	138,773,981	138,773,981
Loans to customers	-	51,368,184	-	51,368,184	51,368,184
Investment securities	-	16,629,526	205,277,260	221,906,786	221,906,786
Embedded derivatives	-	5,555,806	-	5,555,806	5,555,806
	-	212,327,497	205,277,260	417,604,757	417,604,757
Financial assets not measured at fair value					
Cash and cash equivalents	711,212,627	-	-	711,212,627	711,212,627
Loans to banks and financial institutions	285,425,164	-	-	285,425,164	222,466,077
Deposits	185,053,359	-	-	185,053,359	185,053,359
Loans to customers	2,370,870,319	-	-	2,370,870,319	2,320,598,598
Investment securities	400,512,150	-	-	400,512,150	396,688,961
Finance lease receivables (less embedded derivatives)	283,096,530	-	-	283,096,530	228,863,048
Other financial assets	24,375,072	-	-	24,375,072	24,375,072
	4,260,545,221	-	-	4,260,545,221	4,064,882,670
TOTAL FINANCIAL ASSETS	4,260,545,221	212,327,497	205,277,260	4,678,149,978	4,482,487,427

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28 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 2018:

<i>(In thousands of Kazakhstani Tenge)</i>	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

29 Related Party Transactions

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

The Government of the Republic of Kazakhstan has significant influence over the Holding since it is the ultimate controlling party. The Holding has decided to apply an exemption from disclosure of individually insignificant transactions and outstanding balances with state owned entities.

At 30 June 2019, the outstanding balances with related parties were as follows:

	Ultimate parent organisation, unaudited	Associates and joint ventures, unaudited	Transactions with other companies and entities, unaudited
<i>(in thousands of Kazakhstani tenge)</i>			
ASSETS			
Cash and cash equivalents	5,272,882	-	274,826,918
Loans to customers (nominal interest rates: 1.40%-10.00%)	-	-	644,754,412
Investment securities measured at fair value through other comprehensive income (nominal interest rates: 3.00%-10.50%)	125,224,361	-	34,912,163
Investment securities measured at fair value through profit or loss (nominal interest rates: 4.87%-9.10%)	931,070	-	-
Investment securities measured at amortised cost (nominal interest rates: 0.35%-10.50%)	5,597,355	-	333,808,949
Finance lease receivables (nominal interest rate: 6.80%)	-	-	41,325,450
Investments in associates and joint ventures	-	1,092,127	-
Current income tax prepayment	-	-	21,650,494
Deferred income tax assets	-	-	3,946,908
Other financial and non-financial assets	3,728,888	-	32,392,004
LIABILITIES			
Customer accounts (nominal interest rates: 2.00%-7.50%)	-	-	4,011,884
Debt securities issued (nominal interest rates: 0.10%-13.12%)	-	-	617,278,062
Subordinated debt (nominal interest rate: 0.01%)	-	-	6,289,713
Loans from banks and other financial institutions (nominal interest rates: 0.21%-5.50%)	-	-	69,200,951
Loans from Government of the Republic of Kazakhstan (nominal interest rates: 0.05%-0.10%)	248,292,683	-	-
Current income tax liability	-	-	625,648
Deferred income tax liability	-	-	23,728,167
Other financials and non-financial liabilities	24,801,558	-	408,568,880

The income and expense items with related parties for the six-month period ended 30 June 2019 were as follows:

	Ultimate parent organisation, unaudited	Associates and joint ventures, unaudited	Transactions with other companies and entities, unaudited
<i>(in thousands of Kazakhstani tenge)</i>			
Total interest income	8,846,113	-	38,283,656
Interest expense	(6,583,427)	-	(26,141,320)
Reversal of provision for impairment	2,772	-	1,124,575
Fee and commission income	203,396	-	2,237,185
Fee and commission expense	-	-	(1,261)
Net gain on financial assets at fair value through other comprehensive income	101,525	-	-
Net gain from other financial assets at fair value through profit or loss	-	-	88,528
Net foreign exchange loss	-	-	(8,759,713)
Other operating income, net	17,641,938	-	(618,639)
Administrative expenses	(311,393)	-	(210,642)
Share of financial result of associates	-	9,569	-
Income tax expense	-	-	(6,308,754)

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29 Related Party Transactions, continued

At 31 December 2018, the outstanding balances with related parties were as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	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 (nominal interest rates: 1.40%-10.00%)	-	-	800,101,376
Investment securities measured at fair value through other comprehensive income (nominal interest rates: 3.00%-10.50%)	267,066,297	-	54,698,376
Investment securities measured at fair value through profit or loss (nominal interest rates: 4.87%-9.10%)	948,880	-	2,373,028
Investment securities measured at amortised cost (nominal interest rates: 0.25%-10.50%)	5,375,762	-	178,729,079
Finance lease receivables (nominal interest rate: 6.92%)	-	-	34,045,563
Investment in associates and joint ventures	-	1,082,556	-
Current income tax prepayment	-	-	18,974,333
Deferred income tax assets	-	-	3,844,215
Non-current assets held for sale	-	-	290,386
Other financial and non-financial assets	-	-	33,087,189
LIABILITIES			
Customer accounts (nominal interest rates: 2.00%-7.50%)	-	-	9,962,797
Debt securities issued (nominal interest rates: 0.10%-13.16%)	-	-	565,161,745
Subordinated debt (nominal interest rate: 0.01%)	-	-	6,074,969
Loans from banks and other financial institutions (nominal interest rates: 0.26%-5.50%)	-	-	77,576,764
Loans from Government of the Republic of Kazakhstan (nominal interest rates: 0.05%-0.10%)	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 the six-month period ended 30 June 2018 were as follows:

<i>(in thousands of Kazakhstani tenge)</i>	Ultimate parent organisation, unaudited	Associates and joint ventures, unaudited	Transactions with other companies and entities, unaudited
Total interest income	8,884,263	-	42,646,706
Interest expense	(4,738,915)	-	(22,133,676)
Provision for loan portfolio impairment	-	-	(7,372,434)
Fee and commission income	-	-	210,350
Fee and commission expense	-	-	(14,159)
Net gain/(loss) from other financial assets at fair value through profit or loss	39,136	110,535	(3,059,269)
Net foreign exchange gain	-	-	28,686,538
Other operating income	2,629,427	-	9,358,559
Administrative expenses	-	(268)	(1,747,476)
Share of financial result of associates	-	9,298	-
Income tax expense	-	-	(8,464,015)

29 Related Party Transactions, continued

Key management compensation is presented below:

<i>(In thousands of Kazakhstani Tenge)</i>	Six-month period ended 30 June 2019, unaudited	Six-month period ended 30 June 2018, unaudited
Members of the Board of Directors and Management Board	297,768	277,926
Total	297,768	277,926

30 Subsequent Events

During July 2019 the Holding has declared and made a distribution of dividends to the Sole Participant according to the Order #482 dd 5 July 2019 in the amount of Tenge 537,242 thousand (unaudited).

In July 2019, in accordance with the Law of the Republic of Kazakhstan dated 30 November 2018 “On the National Budget for 2019-2021”, the Holding Company’s charter capital was increased by Tenge 12,000,000 thousand (unaudited).

In July 2019, in accordance with the Law of the Republic of Kazakhstan “On the National Budget for 2019-2021”, to finance construction under the project “Saryarka” Main Gas Pipeline, a loan of Tenge 23,546,000 thousand (unaudited) was received from the national budget funds; the loan bears an interest rate of 0.10% per annum and has a term of 10 years.

In July 2019, in accordance with the Law of the Republic of Kazakhstan “On the National Budget for 2019-2021”, to finance the renewal of the fleet of passenger stock a loan of Tenge 11,258,978 thousand (unaudited) has been received from the national budget funds, which bears an interest rate of 0.05% and has a term of 20 years.

In July 2019 the Holding received a loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of Tenge 50,000,000 thousand (unaudited) at below market rate, which was 0.01 % for the period of 25 years with the condition of partial early repayment of the principal debt, in the amount of Tenge 1,000 thousand upon the lapse of 100 months. The loan was granted to issue preliminary and interim housing loans to participants of a new stream of the Nurly Zher Housing Programme, lending for housing purchase to low-income families.

In July 2019 the Holding issued coupon bonds for the amount of Tenge 20,000,000 thousand (unaudited) out of Tenge 40,000,000 thousand on Kazakhstan Stock Exchange at rate of 10.25% with coupon to be paid twice a year.

In August 2019 the Holding purchased 25,000,000 bonds issued (unaudited) by Novacom Corporation LLC (“Partner”) at the value of Tenge 1,000 per one bond, which mature in 2029 in order to finance an investment project for the purchase, development of land plots with a total area of 202 hectares located in Almaty, Turksib district, Kairat village, through the repurchase of Partner bonds. The coupon rate on bonds is 13.00% p.a.