

KPMG  
COPY



**KAZYNA  
CAPITAL  
MANAGEMENT**

**Kazyna Capital Management JSC**

Consolidated Financial Statements  
for the year ended 31 December 2017

**Contents**

Independent Auditors' Report	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9-10
Notes to the Consolidated Financial Statements	11-55



«КПМГ Аудит» жауапкершілігі  
шектеулі серіктестік  
050051 Алматы, Достық д-лы 180,  
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC  
050051 Almaty, 180 Dostyk Avenue,  
E-mail: company@kpmg.kz

## **Independent Auditors' Report**

To the Shareholder and Board of Directors of Kazyna Capital Management JSC

### ***Opinion***

We have audited the consolidated financial statements of Kazyna Capital Management JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

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

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

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

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

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



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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




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

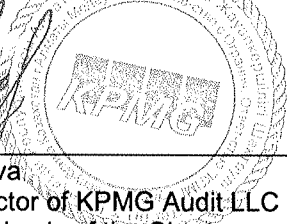
  
\_\_\_\_\_  
Assel Urdabayeva  
Certified Auditor  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate  
No. МФ-0000096 of 27 August 2012



**KPMG Audit LLC**

*State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan*

  
\_\_\_\_\_  
Assel Khairova  
General Director of KPMG Audit LLC  
acting on the basis of the Charter



28 February 2018

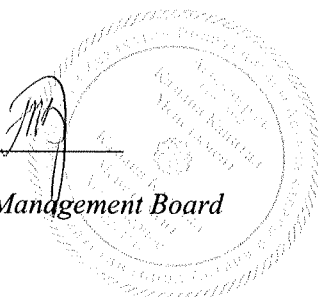
**Kazyna Capital Management JSC**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017*

	Note	2017 '000 KZT	2016 '000 KZT
Interest income	4	2,894,560	4,777,645
Net gain on financial instruments at fair value through profit or loss	20	951,013	3,681,298
Net (loss)/gain on financial derivatives	10	(495,336)	147,641
Dividend income from financial instruments at fair value through profit or loss	10	1,613,597	545,282
Net foreign exchange loss		(140,757)	(1,464,648)
Net gain on available-for-sale financial assets		260,294	223,267
Other operating income /(expenses)		82,818	(5,750)
<b>Operating income</b>		<b>5,166,189</b>	<b>7,904,735</b>
Impairment allowance	9	(174,726)	(8,616,536)
Personnel expenses	5	(439,996)	(396,367)
General and administrative expenses	6	(584,112)	(461,873)
<b>Profit/(loss) before income tax</b>		<b>3,967,355</b>	<b>(1,570,041)</b>
Income tax expense	7	(1,026,414)	(970,767)
<b>Profit/(loss) for the year</b>		<b>2,940,941</b>	<b>(2,540,808)</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value, net of income tax		839,926	1,128,657
- Net change in fair value transferred to profit or loss		(256,259)	(397,109)
<b>Other comprehensive income for the year, net of income tax</b>		<b>583,667</b>	<b>731,548</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>3,524,608</b>	<b>(1,809,260)</b>

The consolidated financial statements as set out on pages 6 to 55 were approved by management on 28 February 2018 and were signed on its behalf by:

Timur Beguliyev

*Deputy Chairman of the Management Board*



Raukhan Kuttybayeva

*Chief Accountant*

*Kazyna Capital Management JSC*  
*Consolidated Statement of Financial Position as at 31 December 2017*

	Note	2017 '000 KZT	2016 '000 KZT
<b>ASSETS</b>			
Cash and cash equivalents	8	9,064,474	4,384,088
Amounts due from credit institutions	9	7,254,801	41,577,957
Financial instruments at fair value through profit or loss	10	66,204,654	61,591,729
Available-for-sale financial assets	11	60,448,613	26,672,062
Held-to maturity investments		-	2,319,943
Current tax asset		1,606,388	1,702,940
Property, plant and equipment and intangible assets		36,569	21,053
Other assets	12	167,925	2,405,700
<b>Total assets</b>		<b>144,783,424</b>	<b>140,675,472</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss	10	8,026,656	7,634,334
Deferred tax liabilities	7	720,167	445,647
Other liabilities		274,884	246,294
<b>Total liabilities</b>		<b>9,021,707</b>	<b>8,326,275</b>
<b>EQUITY</b>			
Share capital	13	87,440,000	87,440,000
Revaluation reserve for available-for-sale financial assets		953,363	369,696
Retained earnings		47,368,354	44,539,501
<b>Total equity</b>		<b>135,761,717</b>	<b>132,349,197</b>
<b>Total liabilities and equity</b>		<b>144,783,424</b>	<b>140,675,472</b>

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

**Kazyna Capital Management JSC**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2017*

	<b>2017</b>	<b>2016</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest income	3,575,609	4,844,634
Dividends received	1,339,688	580,059
Personnel expenses paid	(416,119)	(396,353)
Other general administrative expenses payments	(547,375)	(461,820)
<b>(Increase)/decrease in operating assets</b>		
Financial instruments at fair value through profit or loss	(3,560,969)	(1,071,586)
Purchases of available-for-sale financial assets	(31,859,006)	(27,020,851)
Sale and repayment of available-for-sale financial assets	1,977,516	40,578,801
Amounts due from credit institutions	33,300,768	(10,275,196)
Other assets	500,000	(500,000)
<b>Increase in operating liabilities</b>		
Financial instruments at fair value through profit or loss	816,278	816,278
<b>Net cash flows from operating activities before income tax paid</b>	<b>5,126,390</b>	<b>7,093,966</b>
Income tax paid	(498,000)	(2,148,312)
<b>Cash flows from operations</b>	<b>4,628,390</b>	<b>4,945,654</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and intangible assets	(15,059)	(3,195)
<b>Cash flows used in investing activities</b>	<b>(15,059)</b>	<b>(3,195)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	-	(1,500,000)
<b>Cash flows used in financing activities</b>	<b>-</b>	<b>(1,500,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,613,331</b>	<b>3,442,459</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>4,384,088</b>	<b>995,281</b>
Effect of movements in exchange rates on cash and cash equivalents	67,055	(53,652)
<b>Cash and cash equivalents as at the end of year (Note 8)</b>	<b>9,064,474</b>	<b>4,384,088</b>



**Kazyna Capital Management JSC**  
*Consolidated Statement of Changes in Equity for the year ended 31 December 2017*

	Share capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total
<b>‘000 KZT</b>				
<b>Balance as at 1 January 2016</b>	<b>87,440,000</b>	<b>(361,852)</b>	<b>48,580,309</b>	<b>135,658,457</b>
Loss of the year	-	-	(2,540,808)	(2,540,808)
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	1,128,657	-	1,128,657
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(397,109)	-	(397,109)
Total other comprehensive income	-	731,548	-	731,548
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>731,548</b>	<b>(2,540,808)</b>	<b>(1,809,260)</b>
<b>Transactions with owners, recorded directly in equity</b>				
Dividends declared	-	-	(1,500,000)	(1,500,000)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(1,500,000)</b>	<b>(1,500,000)</b>
<b>Balance as at 31 December 2016</b>	<b>87,440,000</b>	<b>369,696</b>	<b>44,539,501</b>	<b>132,349,197</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

**Kazyna Capital Management JSC**  
*Consolidated Statement of Changes in Equity for the year ended 31 December 2017*

‘000 KZT	Share capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total
<b>Balance as at 1 January 2017</b>	87,440,000	369,696	44,539,501	132,349,197
Profit for the year	-	-	2,940,941	2,940,941
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	839,926	-	839,926
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	(256,259)	-	(256,259)
Total other comprehensive income	-	583,667	-	583,667
<b>Total comprehensive income for the year</b>	-	583,667	2,940,941	3,524,608
<b>Transactions with owners, recorded directly in equity</b>				
Discount on instruments which terms are defined by Parent Company	-	-	(112,088)	(112,088)
<b>Total transactions with owners</b>	-	-	(112,088)	(112,088)
<b>Balance as at 31 December 2017</b>	87,440,000	953,363	47,368,354	135,761,717

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

## 1 Reporting entity

### (a) Organisation and operations

Kazyna Capital Management JSC (“the Company”) and its subsidiaries (together, the “Group”) was established by the Government of the Republic of Kazakhstan in accordance with the legislation of the Republic of Kazakhstan as a joint stock company on 7 March 2007. According to the Resolution No.516 of the Committee of State Property and the Order No.630 of the Ministry of Finance dated 25 May 2013, 100% shares of the Company were transferred from Sovereign Wealth Fund “Samruk-Kazyna” JSC to National Management Holding “Baiterek” JSC. The party with ultimate control over the Group is the Government of the Republic of Kazakhstan.

The principal activity of the Group is the establishment of and participation in investment funds and investments in financial instruments.

The Company’s registered office is 18, Dostyk Avenue, Astana, Republic of Kazakhstan.

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership, %	
			2017	2016
Nurzhol Energy LLC	Kazakhstan	Investment in Macquarie Renaissance Infrastructure Fund	100.00	100.00
MRIF CASP C.V.	The Netherlands	Investment in Macquarie Renaissance Infrastructure Fund	99.00	99.00
Kazyna Investment Holding Cooperatief U.A.	The Netherlands	Investment in Falah Growth Fund	100.00	100.00
Kazyna Seriktes B.V.	The Netherlands	Investment in Falah Growth Fund	100.00	99.90
Kazakhstan-Tajikistan fund of direct investments JSC	Kazakhstan	Investment in private equity projects	86.00	80.00
Baiterek Venture Fund JSC *	Kazakhstan	Investment in private equity projects	100.00	100.00

\*Under IFRS 10, the Group has determined that it qualifies as an investment entity, and subsidiaries are therefore measured at fair value through profit or loss, except for a subsidiary which itself undertakes investment-related services or activities – Baiterek Venture Fund JSC. Baiterek Venture Fund JSC was established by the Decision of the Board of Directors of the Group on 23 March 2014 and as well qualifies as an investment entity.

In February 2017, with a view to appoint a new general partner in Kazakhstan Infrastructure Fund C.V., the Company and Verno Pe Eurasia GP Limited (the “General Partner”) have signed an agreement, according to which the Company is a limited partner and does not participate in making decisions on Kazakhstan Infrastructure Fund C.V. investment activity.

As at 31 December 2017, the Company determined that Kazakhstan Infrastructure Fund C.V., where the Company holds a 95% ownership interest, does not qualify as a subsidiary under IFRS 10. As at 31 December 2016, Kazakhstan Infrastructure Fund C.V., with the Group's 100% ownership interest in it, qualified as a subsidiary of the Group.

## **1 Reporting entity, continued**

### **(a) Kazakhstan and CIS business environment**

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment.

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

## **2 Basis of preparation**

### **(a) Statement of compliance**

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Details of the Group's accounting policies, are included in Note 21.

### **(b) Basis of measurement**

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, investments in subsidiaries, investments in associates and joint ventures, and available-for-sale financial assets are measured at fair value.

### **(c) Functional and presentation currency**

The functional currency of the Group and of its consolidated subsidiary is the Kazakhstan tenge (KZT) 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 them.

Tenge is also the presentation currency for the purposes of this consolidated financial information. Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Changes in accounting policies and presentation**

The Group has adopted the following amendments to standards with a date of initial application of 1 January 2017:

- *Disclosure Initiative (Amendments to IAS 7)*. IAS 7 *Statement of Cash Flows* has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements.

The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways.

- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*. The amendments to IAS 12 *Income Taxes* clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. The amendments show that the entity can recognise a deferred tax asset if the future bottom line of its tax return is expected to be a loss if certain conditions are met.

### 3 Use of estimates and judgments

The preparation of consolidated 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 prospectively.

#### (a) Judgments in determination of functional currency

“Functional currency” is the currency of the primary economic environment in which the Group operates. The functional currency of the Group is KZT. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that reflects the economic substance of the majority of underlying events and circumstances relevant to them. A significant portion of the investments and transactions of the Group and its subsidiaries are denominated in KZT. Investor subscriptions and redemptions are also received and paid in KZT. Accordingly, management has determined that the functional currency of the Group is KZT.

#### (b) Assumptions and estimation uncertainties in measurement of fair values

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2016 is included in Note 20 (b) and relates to the determination of fair value of financial assets through profit or loss with significant unobservable inputs.

### 4 Interest income

	2017 '000 KZT	2016 '000 KZT
Available-for-sale financial assets	1,902,566	1,519,296
Amounts due from credit institutions	877,988	2,870,443
Held-to maturity investments	60,008	117,461
Cash and cash equivalents	47,269	76,837
Other assets	5,000	-
Reverse repurchase agreements	1,729	193,608
	<b>2,894,560</b>	<b>4,777,645</b>

### 5 Personnel expenses

	2017 '000 KZT	2016 '000 KZT
Employee compensation	406,918	361,385
Payroll related taxes	33,078	34,982
	<b>439,996</b>	<b>396,367</b>

## 6 General and administrative expenses

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
Other third party services	175,509	136,371
Professional services	119,687	196,088
State duty	116,356	-
Operating lease expense	79,682	83,300
Travel and accommodation	17,987	11,360
Depreciation and amortisation	7,628	6,567
Representation expenses	-	1,066
Other	67,263	27,121
	<b>584,112</b>	<b>461,873</b>

## 7 Income tax expense

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
Current year tax expense	661,844	482,893
Current tax expense underprovided in prior years	90,050	-
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences and movement in valuation allowance	274,520	487,874
<b>Total income tax expense</b>	<b>1,026,414</b>	<b>970,767</b>

In 2017, the applicable tax rate for current and deferred tax is 20% (2016: 20%).

### Reconciliation of effective tax rate for the year ended 31 December:

	<b>2017</b> <b>'000 KZT</b>	<b>%</b>	<b>2016</b> <b>'000 KZT</b>	<b>%</b>
<b>Profit/(loss) before income tax</b>	<b>3,967,355</b>	<b>100</b>	<b>(1,570,041)</b>	<b>100</b>
Income tax at the applicable tax rate	793,471	20	(314,008)	20
Non-taxable income on securities	(444,574)	(11)	(398,764)	25
Income from offshore entities	34,000	1	-	-
Non-deductible costs	203,294	5	(127,047)	8
Non-deductible impairment losses	34,945	1	1,723,307	(110)
Non-deductible expenses from revaluation of financial instruments at fair value through profit or loss	315,228	8	87,279	(5)
Current tax expense underprovided in prior years	90,050	2	-	-
	<b>1,026,414</b>	<b>26</b>	<b>970,767</b>	<b>(62)</b>

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2017 and 2016.

## 7 Income tax expense, continued

### (a) Deferred tax assets and liabilities

Movements in temporary differences during the years ended 31 December 2017 and 2016 are presented as follows:

<b>2017</b> <b>'000 KZT</b>	<b>Balance</b> <b>1 January 2017</b>	<b>Recognised in</b> <b>profit or loss</b>	<b>Balance</b> <b>31 December 2017</b>
Property, equipment and intangible assets	(119)	(14)	(133)
Financial assets at fair value through profit or loss	(1,829,617)	(510,147)	(2,339,764)
Financial liabilities at fair value through profit or loss	1,383,482	223,367	1,606,849
Other liabilities	607	12,274	12,881
	<b>(445,647)</b>	<b>(274,520)</b>	<b>(720,167)</b>

<b>2016</b> <b>'000 KZT</b>	<b>Balance</b> <b>1 January 2016</b>	<b>Recognised in</b> <b>profit or loss</b>	<b>Balance at</b> <b>31 December 2016</b>
Property, equipment and intangible assets	1,608	(1,727)	(119)
Financial assets at fair value through profit or loss	(1,211,152)	(618,465)	(1,829,617)
Financial liabilities at fair value through profit or loss	1,249,755	133,727	1,383,482
Other liabilities	2,016	(1,409)	607
	<b>42,227</b>	<b>(487,874)</b>	<b>(445,647)</b>

## 8 Cash and cash equivalents

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
<b>Current accounts in other banks</b>		
- rated from BB- to BB+	7,123,940	4,318
- rated from B- to B+	332,126	1,455,314
-not rated*	1,608,408	2,924,456
	<b>9,064,474</b>	<b>4,384,088</b>

\*Not rated Kazakhstan bank is Citibank Kazakhstan JSC, which is a 100% subsidiary of non-resident bank Citibank N.A. rated at A+.

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents.

No cash and cash equivalents are impaired or past due.

## 9 Amounts due from credit institutions

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
- rated from BBB- to BBB+	-	6,698,835
- rated from BB- to BB+	455,881	12,204,002
- rated from B- to B+	6,798,920	22,659,852
- rated from CCC- to CCC+	-	3,679,792
-rated D	7,880,617	4,952,012
-not rated	664,242	-
	<b>15,799,660</b>	<b>50,194,493</b>
Impairment allowance	(8,544,859)	(8,616,536)
	<b>7,254,801</b>	<b>41,577,957</b>

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents.

### Analysis of movements in the impairment allowance

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
Balance at the beginning of the year	(8,616,536)	-
Net charge	(174,726)	(8,616,536)
Discount on instruments which terms are defined by Parent Company	(112,088)	-
Effect of changes in foreign exchange rates	40,504	-
Write-offs	317,987	-
	<b>(8,544,859)</b>	<b>(8,616,536)</b>

The credit ratings are presented by reference to the credit ratings of Standard and Poor's credit ratings agency or analogues of similar international agencies.

On 27 December 2016 the National Bank of the Republic of Kazakhstan (NBRK) revoked the license of Kazinvestbank JSC (KIB) due to regular improper fulfilment of its contractual obligations related to payment processing.

Based on the Resolution No. 245 on 28 October 2016 NBRK suspended for 3 months a licence of Delta Bank JSC (Delta) for opening of accounts and deposits of individuals. On 29 December 2016 the license was resumed. According to the bond issue prospectus, Delta Bank JSC had to repay the face value and the last coupon interest on bonds during the period from 18 to 31 January, 2017, but the payment was actually made on 23 February 2017. On 30 December 2016 Standard & Poor's rating agency downgraded Delta Bank JSC credit rating from B to CCC+. On 17 February 2017 a report was received from Standard & Poor's rating agency that Delta Bank JSC credit rating was downgraded to "D".

As at 31 December 2017 the Group considers the amounts due from Kazinvestbank JSC for the total amount of KZT 4,226,649 thousand and from Delta Bank JSC for the total amount of KZT 3,653,968 thousand as fully impaired based on its understanding of the KIB's and Delta's current financial position and the Group's management does not expect any future cash flows from these assets.

As at 31 December 2017 the Group considers the amounts due from not rated credit institutions for the total amount of KZT 664,242 thousand as fully impaired.



## 10 Financial instruments at fair value through profit or loss

	<b>2017</b>	<b>2016</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>ASSETS</b>		
<b>Unquoted shares in investment funds</b>		
CITIC-KAZYNA Investment L.P.	17,287,231	17,337,930
Kazakhstan Infrastructure Fund C.V. (including portfolio company of Baiterek Venture Fund JSC)	13,420,496	13,339,297
Kazakhstan Growth Fund L.P.	10,724,855	6,047,922
MRIF CASP C.V. (including portfolio company of Baiterek Venture Fund JSC)	5,827,804	5,105,043
ADM KCRF L.P.	4,407,932	7,661,440
AITAS LUX S.A.R.L (Portfolio company of Baiterek Venture Fund JSC)	2,990,970	-
CAEPCO JSC (Portfolio company of Baiterek Venture Fund JSC)	2,531,206	2,297,411
Wolfenson Capital Partners L.P.	2,166,248	1,803,058
Group of companies Allur JSC (Portfolio company of Baiterek Venture Fund JSC)	801,721	853,366
Islamic Infrastructure Fund Limited Partnership	615,028	561,052
Kazyna Investment Holding Cooperatief U.A.	590,291	606,077
Sachiko-Olzha Products LLC (Portfolio company of Baiterek Venture Fund JSC)	450,101	888,388
Aureos Central Asia Fund LLC	309,232	486,430
Mining Chemical Company LLC (Portfolio company of Baiterek Venture Fund JSC)	168,119	900,722
Almex-Baiterek Fund LLC	127,892	178,019
Nurzhol Energy LLC	61,737	54,754
BV Management LLC (Portfolio company of Baiterek Venture Fund JSC)	-	139,803
Kyrgyz-Kazakh Investment Fund JSC	-	81,374
Kazakhstan-Tajikistan fund of direct investments JSC	-	690
Kazyna Seriktes B.V.	-	69
	<b>62,480,863</b>	<b>58,342,845</b>
<b>Debt instruments:</b>		
ARP Company (Portfolio company of Baiterek Venture Fund JSC)	3,723,791	3,248,884
	<b>3,723,791</b>	<b>3,248,884</b>
	<b>66,204,654</b>	<b>61,591,729</b>
<b>LIABILITIES</b>		
<b>Derivative financial instruments</b>		
	8,026,656	7,634,334
	<b>8,026,656</b>	<b>7,634,334</b>

### Dividend income from financial instruments at fair value through profit or loss

	<b>2017</b>	<b>2016</b>
	<b>KZT'000</b>	<b>KZT'000</b>
CITIC-KAZYNA Investment L.P.	810,239	32,857
Wolfenson Capital Partners L.P.	416,321	310,566
AO «Baiterek Venture Fund»	273,593	81,576
Kazakhstan Growth Fund L.P.	70,148	73,141
ADM KCRF L.P.	37,487	40,890
Islamic Infrastructure Fund Limited Partnership	4,015	3,899
Kyrgyz-Kazakhstan Investment Fund JSC	1,794	1,511
Kazyna Investment Holding Cooperatief U.A	-	842
	<b>1,613,597</b>	<b>545,282</b>

## **10 Financial instruments at fair value through profit or loss, continued**

### ***Investment in Kazakhstan Infrastructure Fund C.V.***

In February 2017, to appoint a new general partner to Kazakhstan Infrastructure Fund C.V. (“KIF”), the Company and Verno Pe Eurasia GP Limited (hereinafter- the “General Partner”) signed a limited partnership agreement (hereinafter - “LPA”).

Under the terms and conditions of the LPA, the amount of liabilities related to investment in KIF was allocated between the partners as follows:

- Kazyna Capital Management JSC (USD 100 mln.) - 95.24% ownership interest;
- VERNO PE EURASIA GP (USD 5 mln.) – 4.76 % ownership interest.

The main purpose to have established KIF is investing in share capital of corporates whose principal activities are development of infrastructure projects in target areas. KIF’s operations are primarily located in Kazakhstan, while the country of incorporation is the Netherlands.

#### *Nature and extent of the Company's involvement*

The Company holds a 95.24% interest in KIF, and being a limited liability partner under the LPS is not involved in the decision-making process related to KIF’s investing activities.

KIF’s management company is the General Partner who is responsible for making investing decisions, and governed by the Investment Policy in accordance with the LPA. The General Partner is free to select assets for capital investment and makes key decisions on the Fund’s operating activities and investees’ capital, including budgets and key management remuneration.

In accordance with the LPA, the Company may to re-appoint a fund’s manager, the General Partner, to protect its interests with to investees and KIF’ operations. Under the terms of the LPA, there are certain conditions which are attached to the reappointment of the General Manager, including:

- imposing a pecuniary penalty in the amount of 2% of total investment liabilities;
- searching for a new general partner who is prepared for buy-out of the predecessor General Partner's rights and obligations.

These conditions make the general partner’s reappointment process more difficult.

In accordance with the above, under the IFRS 10 *Consolidated Financial Statements*, the Company has no control over KIF as at 31 December 2017.

#### ***Derivative financial instruments***

Financial instruments at fair value through profit or loss comprise financial instruments designated on initial recognition in this category, except for the financial derivatives categorised as trade financial instruments.

During 2015, the Company entered into a cross currency swap with Development Bank of Kazakhstan with maturity in 2020 to deliver USD 50,000 thousand in exchange for KZT 9,382,500 thousand. The Company received 8.7% p.a. interest prepayment of KZT 816,278 thousand. The Company has a right to prolong the maturity by two years. As at 31 December 2017, the fair value of this swap is KZT 8,026,656 thousand (31 December 2016: KZT 6,789,332 thousand (liability)).

To determine the fair value of this swap, management used 9.15%-12.96% for KZT leg (2016: 6.42%-9.56% for KZT leg) and 1.58%-2.31% for USD leg (2016: 0.71%-2.42% for USD leg) based on the observable market data information. The fair value of this swap is categorised into Level 2 of the fair value hierarchy.

## 11 Available-for-sale financial assets

	2017 '000 KZT	2016 '000 KZT
<b>Debt and other fixed-income instruments</b>		
- <b>Government bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9,998,549	906,839
<b>Total Government bonds</b>	<b>9,998,549</b>	<b>906,839</b>
- <b>Corporate bonds</b>		
- rated from BBB- to BBB+	27,329,930	18,691,890
- rated from BB- to BB+	-	1,556,381
- rated from B- to B+	1,973,168	2,018,114
<b>Total corporate bonds</b>	<b>29,303,098</b>	<b>22,266,385</b>
- <b>Corporate bonds of banks</b>		
- rated BBB- to BBB+	2,315,028	178,126
Rated from BB- to BB+	18,156,726	2,672,350
- rated from B- to B+	412,113	401,161
<b>Total corporate bonds of banks</b>	<b>20,883,867</b>	<b>3,251,637</b>
- <b>Corporate bonds of credit institutions other than banks</b>		
- rated from BBB- to BBB+	263,099	247,201
<b>Total corporate bonds of credit institutions other than banks</b>	<b>263,099</b>	<b>247,201</b>
	<b>60,448,613</b>	<b>26,672,062</b>

None of available-for-sale financial assets are impaired or past due.

## 12 Other assets

	2017 '000 KZT	2016 '000 KZT
Trade receivables	69,506	-
Advance payments	-	1,885,405
Material aid	-	500,000
Other	41,627	-
<b>Total other financial assets</b>	<b>111,133</b>	<b>2,385,405</b>
Other	56,792	20,295
<b>Total other non-financial assets</b>	<b>56,792</b>	<b>20,295</b>
<b>Total other assets</b>	<b>167,925</b>	<b>2,405,700</b>

On 30 December 2016 the Company made prepayment of KZT 1,829,155 thousand to purchase the government bonds.

On 29 December 2016 the Company provided the financial support in the form of a loan to Administration of the International Financial Centre JSC as a part of the EXPO-2017 project. The loan amount is KZT 500,000 thousand, the loan bears an interest rate of 2% per annum and matures in June 2017. This loan was repaid in full in 2017.

## 13 Share capital and reserves

### (a) Issued capital

	Ordinary shares			
	Number of ordinary shares		Cost, KZT'000	
	2017	2016	2017	2016
In issue at 1 January	53,550,000	53,550,000	87,440,000	87,440,000
<b>In issue at 31 December, fully paid</b>	<b>53,550,000</b>	<b>53,550,000</b>	<b>87,440,000</b>	<b>87,440,000</b>

As at 31 December 2017, authorised share capital comprised 55,000,000 ordinary shares (31 December 2016: 55,000,000). The issued and paid share capital comprises 53,550,000 ordinary shares (2016: 53,550,000). The shares have no nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company.

### (b) Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

### (c) Dividends

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings as recorded in the entity's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 47,368,354 thousand (31 December 2016: KZT 44,539,501 thousand).

During 2017, the Group neither declared, nor distributed dividends for 2016 financial year (2016: KZT 1,500,000 thousand at KZT 28.00 per ordinary share).

## 14 Financial risk management

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

### (a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures.

## 14 Financial risk management, continued

### (a) Risk management policies and procedures, continued

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within established risk parameters. Head of Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Both external and internal risk factors are identified and managed throughout the organisation.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed 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 also reduce or create losses in the event that unexpected movements occur.

#### *Average effective interest rates*

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2017 and 31 December 2016. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2017			2016		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
<b>Interest bearing assets</b>						
Cash and cash equivalents	9.7	-	-	10.2	-	-
Amounts due from credit institutions	8.3	3.0	-	5.9	3.1	-
Financial instruments at fair value through profit or loss						
- Debt instruments	14.6	-	-	14.6	-	-
Available-for-sale financial assets	8.0	4.0	-	7.9	4.0	-
Held-to maturity investments	-	-	-	-	-	5.5
Other assets	-	-	-	2.0	-	-

## 14 Financial risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Average effective interest rates, continued*

An analysis of sensitivity of net profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2017 and 2016 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2017		2016	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	-	2,238,605	-	844,363
100 bp parallel rise	-	(2,238,605)	-	(804,166)

#### (ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2017:

	USD '000 KZT	KZT '000 KZT	Total '000 KZT
<b>ASSETS</b>			
Cash and cash equivalents	7,906,500	1,157,974	9,064,474
Amounts due from credit institutions	6,731,988	522,813	7,254,801
Available-for-sale financial assets	55,461,134	4,987,479	60,448,613
Other financial assets	-	111,133	111,133
<b>Total financial assets</b>	<b>70,099,622</b>	<b>6,779,399</b>	<b>76,879,021</b>
<b>LIABILITIES</b>			
Other financial liabilities	-	(197,920)	(197,920)
<b>Total financial liabilities</b>	<b>-</b>	<b>(197,920)</b>	<b>(197,920)</b>
<b>Net position</b>	<b>70,099,622</b>	<b>6,581,479</b>	<b>76,681,101</b>
Derivative financial instruments	(16,616,500)	8,589,844	(8,026,656)
<b>Net position after derivative financial instruments</b>	<b>53,483,122</b>	<b>15,171,323</b>	<b>68,654,445</b>

## 14 Financial risk management, continued

### (b) Market risk, continued

#### (ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2016:

	USD ‘000 KZT	MYR ‘000 KZT	KZT ‘000 KZT	Total ‘000 KZT
<b>ASSETS</b>				
Cash and cash equivalents	3,430,534	-	953,554	4,384,088
Amounts due from credit institutions	34,879,122	-	6,698,835	41,577,957
Available-for-sale financial assets	21,611,520	-	5,060,542	26,672,062
Held-to maturity investments	-	2,319,943	-	2,319,943
Other financial assets	1,829,155	-	556,250	2,385,405
<b>Total financial assets</b>	<b>61,750,331</b>	<b>2,319,943</b>	<b>13,269,181</b>	<b>77,339,455</b>
<b>LIABILITIES</b>				
Other financial liabilities	-	-	(198,412)	(198,412)
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(198,412)</b>	<b>(198,412)</b>
<b>Net position</b>	<b>61,750,331</b>	<b>2,319,943</b>	<b>13,070,769</b>	<b>77,141,043</b>
Derivative financial instruments	(16,171,832)	(2,319,943)	10,857,441	(7,634,334)
<b>Net position after derivative financial instruments</b>	<b>45,578,499</b>	<b>-</b>	<b>23,928,210</b>	<b>69,506,709</b>

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2017 and 2016, would have increased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2017 ‘000 KZT	2016 ‘000 KZT
20% appreciation of USD against KZT	8,557,300	7,292,560

A strengthening of the KZT against the above currencies at 31 December 2017 and 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises from the Group’s investments in private equity funds, whose valuation is based on the valuation of the underlying portfolio companies of those private equity funds. The Group invests in such financial assets in order to take advantage of their long-term growth. All investments present a risk of loss of capital. All of the private equity funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

## 14 Financial risk management, continued

### (c) Other price risk, continued

The Group mainly relies on the management of the private equity funds in mitigation of the price risk. The management of the private equity funds moderates this risk through careful selection and review of the business and operational matters before the investment decision are implemented. They also maintain regular contact with the management of the underlying companies. The performance of the management of the private equity funds are reported to the Group on a quarterly basis.

The Group's profit and loss and equity is affected by changes in the fair value of its investments in private equity funds. For example a 10% increase in the equity prices of the funds, would increase profit or loss and equity by KZT 4,998,469 thousand for the year ended 31 December 2017 (2016: KZT 4,667,428 thousand) . A 10% decrease in these prices would have an equal and opposite effect.

### (d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of an Investment Committee to actively monitor credit risk. The investment policy is reviewed and approved by the Management Board.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	<b>2017</b> <b>'000 KZT</b>	<b>2016</b> <b>'000 KZT</b>
<b>ASSETS</b>		
Cash and cash equivalents	9,064,474	4,384,088
Amounts due from credit institutions	7,254,801	41,577,957
Financial instruments at fair value through profit or loss:		
- debt instruments	3,723,791	3,248,884
Available-for-sale debt assets	60,448,613	26,672,062
Held-to-maturity investments	-	2,319,943
Other financial assets	111,133	2,385,405
<b>Total maximum exposure</b>	<b>80,602,812</b>	<b>80,588,339</b>

### (e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.



## 14 Financial risk management, continued

### (e) Liquidity risk, continued

The following tables show the maturity profile of the Group's financial liabilities as at 31 December 2017 based on contractual undiscounted payments:

'000 KZT	Demand and less than					Total gross amount (outflow)	Carrying amount
	1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years		
Non-derivative liabilities	(197,920)	-	-	-	-	(197,920)	(197,920)
Other financial liabilities	-	-	-	-	(8,026,656)	(8,026,656)	(8,026,656)
Derivative liabilities	(197,920)	-	-	-	(8,026,656)	(8,224,576)	(8,224,576)
Net settled derivatives	(64,099,328)	-	-	-	-	(64,099,328)	(64,099,328)
<b>Total liabilities</b>							
<b>Investment related commitments</b>							

The following tables show the maturity profile of the Group's financial liabilities as at 31 December 2016 based on contractual undiscounted payments:

'000 KZT	Demand and less than					Total gross amount (outflow)	Carrying amount
	1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years		
Non-derivative liabilities	(198,412)	-	-	-	-	(198,412)	(198,412)
Other financial liabilities	-	(10,603)	-	(834,399)	(6,789,332)	(7,634,334)	(7,634,334)
Derivative liabilities	(198,412)	(10,603)	-	(834,399)	(6,789,332)	(7,832,746)	(7,832,746)
Net settled derivatives	(49,771,751)	-	-	-	-	(49,771,751)	(49,771,751)
<b>Total liabilities</b>							
<b>Investment related commitments</b>							

For investment related commitments in the above tables the maximum amount of the commitment is allocated to the earliest period in which the commitment can be called.

## 14 Financial risk management, continued

### (e) Liquidity risk, continued

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2017:

	Demand and					Total inflow (outflow)		
	less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years		More than 5 years	No maturity
<b>'000 KZT</b>								
<b>Non-derivative financial assets</b>								
Cash and cash equivalents	9,064,474	-	-	-	-	-	-	9,064,474
Amounts due from credit institutions	16,617	68,771	-	7,169,413	-	-	-	7,254,801
Financial instruments at fair value through profit or loss:								
- equity instruments	-	-	-	-	-	-	62,480,863	62,480,863
- debt instruments	-	-	-	-	-	3,723,791	-	3,723,791
Available-for-sale financial assets	1,001,943	-	568,579	9,446,448	23,757,690	25,673,953	-	60,448,613
Other financial assets	69,506	-	-	-	-	41,627	-	111,133
<b>Total assets</b>	<b>10,152,540</b>	<b>68,771</b>	<b>568,579</b>	<b>16,615,861</b>	<b>23,757,690</b>	<b>29,439,371</b>	<b>62,480,863</b>	<b>143,083,675</b>
<b>Non-derivative financial liabilities</b>								
Other financial liabilities	(98,021)	-	-	-	-	-	(99,899)	(197,920)
<b>Derivative liabilities</b>								
Net settled derivatives	-	-	-	-	(8,026,656)	-	-	(8,026,656)
<b>Total liabilities</b>	<b>(98,021)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,026,656)</b>	<b>-</b>	<b>(99,899)</b>	<b>(8,224,576)</b>
<b>Net liquidity gap on recognised financial assets and liabilities</b>	<b>10,054,519</b>	<b>68,771</b>	<b>568,579</b>	<b>16,615,861</b>	<b>15,731,034</b>	<b>29,439,371</b>	<b>62,380,964</b>	<b>134,859,099</b>
<b>Investment related commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(554,099)</b>	<b>(31,855,123)</b>	<b>(31,690,106)</b>	<b>-</b>	<b>(64,099,328)</b>

## 14 Financial risk management, continued

### (e) Liquidity risk, continued

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2016:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total inflow (outflow)
‘000 KZT								
<b>Non-derivative financial assets</b>								
Cash and cash equivalents	4,384,088	-	-	-	-	-	-	4,384,088
Amounts due from credit institutions	168,814	-	1,000,000	40,409,143	-	-	-	41,577,957
Financial instruments at fair value through profit or loss:								
- equity instruments	-	-	-	-	-	-	58,342,845	58,342,845
- debt instruments	-	-	-	-	-	3,248,884	-	3,248,884
Available-for-sale financial assets	412,085	-	135,223	-	20,032,290	6,092,464	-	26,672,062
Held-to-maturity investments	-	51,017	-	2,268,926	-	-	-	2,319,943
Other financial assets	1,885,405	-	500,000	-	-	-	-	2,385,405
<b>Total assets</b>	<b>6,850,392</b>	<b>51,017</b>	<b>1,635,223</b>	<b>42,678,069</b>	<b>20,032,290</b>	<b>9,341,348</b>	<b>58,342,845</b>	<b>138,931,184</b>
<b>Non-derivative financial liabilities</b>								
Other financial liabilities	(198,412)	-	-	-	-	-	-	(198,412)
<b>Derivative liabilities</b>								
Net settled derivatives	-	(10,603)	-	(834,399)	(6,789,332)	-	-	(7,634,334)
<b>Total liabilities</b>	<b>(198,412)</b>	<b>(10,603)</b>	<b>-</b>	<b>(834,399)</b>	<b>(6,789,332)</b>	<b>-</b>	<b>-</b>	<b>(7,832,746)</b>
<b>Net liquidity gap on recognised financial assets and liabilities</b>	<b>6,651,980</b>	<b>40,414</b>	<b>1,635,223</b>	<b>41,843,670</b>	<b>13,242,958</b>	<b>9,341,348</b>	<b>58,342,845</b>	<b>131,098,438</b>
<b>Investment related commitments</b>	<b>-</b>	<b>(403,900)</b>	<b>(403,900)</b>	<b>(4,761,855)</b>	<b>(44,202,096)</b>	<b>-</b>	<b>-</b>	<b>(49,771,751)</b>

## 15 Capital management

The Group is not subject to externally imposed capital requirements.

The Group defines capital as total equity. The Group's objective of capital management is to safeguard the ability of the Group to continue as a going concern in order to provide a return to shareholders and to provide a strong capital base to support the investment activities of the Group.

## 16 Investment related commitments

The Group makes commitments to private equity funds in its portfolio. The Group diversifies its portfolio of investments across managers, underlying industries, countries and investment stages.

The contractual amounts of investment related commitments are set out in the following table:

	<b>2017</b>	<b>2016</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>Contracted amount</b>		
Kazakhstan Infrastructure Fund C.V.	22,624,403	5,783,153
CITIC-Kazyna Investment Fund LP	11,730,044	12,153,840
Almex-Baiterek Fund LLP	9,065,703	9,065,703
Wolfenson Capital Partners LP	1,545,671	1,588,786
Kazakhstan Growth Fund	571,402	1,970,393
ADM Kazakhstan Capital Restructuring Fund CV	461,070	583,916
Islamic Infrastructure Fund Limited Partnership	416,159	426,367
Aureos Central Asia Fund LLC	93,028	109,276
	<b>46,507,480</b>	<b>31,681,434</b>

In accordance with the foundation agreements of the private equity funds, in case of failure to pay the amount of capital commitments after the manager issues a request for payment, certain sanctions may be applied against the Group including delaying the payment of interest, suspension of income distributions, suspension of rights to participate in the corporate management of funds and forced sale of the Group's share to co-investors or third parties. As at 31 December 2017 and 2016 the Group had no overdue investment commitments.

In addition to the amounts disclosed above, the Group's non-consolidated subsidiaries have investment related commitments amounting to KZT 17,591,848 thousand (2016: KZT 18,090,317 thousand). Management expects these commitments to be funded by the Group in the form of additional contributions to those subsidiaries.

	<b>2017</b>	<b>2016</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>Contracted amount</b>		
Falah Growth Fund LP	13,285,499	13,437,058
Russian and Kazakh Fund of Nanotechnologies	2,785,720	3,550,060
Macquarie Renaissance Infrastructure Fund	1,520,629	1,103,199
	<b>17,591,848</b>	<b>18,090,317</b>

## 17 Operating leases

Non-cancellable operating lease rentals as at 31 December are payable as follows:

	2017 ‘000 KZT	2016 ‘000 KZT
Less than 1 year	79,682	74,458

The Group leases a number of premises and equipment under operating leases. The leases typically run for one year, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

## 18 Contingencies

### (a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group 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 Group 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 financial position.

### (b) Taxation contingencies in Kazakhstan

The taxation system in the Republic 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, in particular recognition of income, expenses and other items of the financial statements under IFRS. 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 believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 19 Related party transactions

### (a) Control relationships

The Group’s parent company is “National Management Holding “Baiterek” JSC. The Group is ultimately controlled by the Government of the Republic of Kazakhstan.

### (b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2017 and 2016 is as follows:

	2017 ‘000 KZT	2016 ‘000 KZT
Short term employee benefits	164,448	131,762

These amounts include cash and non-cash benefits in respect of the members of the Board of Directors and the Management Board.

## 19 Related party transactions, continued

### (c) Transactions with other related parties

Other related parties include state controlled companies, national companies and subsidiaries of national companies.

The outstanding balances and the related average interest rates as at 31 December 2017 and related profit or loss amounts of transactions for the year ended 31 December 2017 with other related parties are as follows.

	<b>Other related parties*</b>		<b>Total</b>
	<b>'000 KZT</b>	<b>Average interest rate, %</b>	
<b>Consolidated statement of financial position</b>			
<b>ASSETS</b>			
Available-for-sale financial assets	2,591,382	6.8	2,591,382
<b>LIABILITIES</b>			
Derivative financial instruments	8,026,656	-	8,026,656
Other liabilities	99,899	6.6	99,899
<b>Consolidated statement of profit or loss and other comprehensive income</b>			
Interest income	402,384		408,625
Net gain on financial derivatives	(421,047)		(421,047)
Net foreign exchange gain	188,053		188,053

\* Other related parties include companies under common control of the Parent Company and other related parties.

The outstanding balances and the related average interest rates as at 31 December 2016 and related profit or loss amounts of transactions for the year ended 31 December 2016 with other related parties are as follows.

	<b>Other related parties*</b>		<b>Total</b>
	<b>'000 KZT</b>	<b>Average interest rate, %</b>	
<b>Consolidated statement of financial position</b>			
<b>ASSETS</b>			
Amounts due from financial institutions	6,698,835	5.99	6,698,835
Available-for-sale financial assets	425,327	5.50-6.50	425,327
Held-to-maturity investments	2,319,943	5.50	2,319,943
Other assets	500,000	2.00	500,000
<b>LIABILITIES</b>			
Derivative financial instruments	6,789,332	-	6,789,332
Other liabilities	93,688	-	93,688
<b>Consolidated statement of profit or loss and other comprehensive income</b>			
Interest income	543,755		543,755
Net gain on financial derivatives	19,214		19,214
Net foreign exchange gain	17,122		17,122

The majority of balances resulting from transactions with related parties mature within one year. Transactions with related parties are not secured.

## **20 Fair values of financial instruments**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, such as investments in private equity funds, the Group uses annual audited financial statements and quarterly management reports of underlying investment funds which use proprietary valuation models. For determination of fair values of investments in private equity funds as at 31 December 2017 the Group engaged an independent valuation which also used proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include equity securities for which there is no active market.

## 20 Fair values of financial instruments, continued

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

‘000 KZT	Financial instruments at fair value through profit or loss	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
<b>31 December 2017</b>						
<b>Financial assets measured at fair value</b>						
Debt securities	3,723,791	-	60,448,613	-	64,172,404	64,172,404
Equity securities	62,480,863	-	-	-	62,480,863	62,480,863
	<b>66,204,654</b>	<b>-</b>	<b>60,448,613</b>	<b>-</b>	<b>126,653,267</b>	<b>126,653,267</b>
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents	-	9,064,474	-	-	9,064,474	9,064,474
Amounts due from credit institutions	-	7,254,801	-	-	7,254,801	7,254,801
Other financial assets	-	41,627	69,506	-	111,133	111,133
	<b>-</b>	<b>16,360,902</b>	<b>69,506</b>	<b>-</b>	<b>16,430,408</b>	<b>16,430,408</b>
<b>Financial liabilities measured at fair value</b>						
Cross currency and interest rate swap	8,026,656	-	-	-	8,026,656	8,026,656
	<b>8,026,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,026,656</b>	<b>8,026,656</b>
<b>Financial liabilities not measured at fair value</b>						
Other liabilities	-	-	-	(197,920)	(197,920)	(197,920)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>(197,920)</b>	<b>(197,920)</b>	<b>(197,920)</b>



## 20 Fair values of financial instruments, continued

### (a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2016:

‘000 KZT	Financial instruments at fair value through profit or loss	Held-to- maturity	Loans and receivables	Available-for- sale	Other amortised cost	Total carrying amount	Fair value
<b>31 December 2016</b>							
<b>Financial assets measured at fair value</b>							
Debt securities	3,248,884	-	-	26,672,062	-	29,920,946	29,920,946
Equity securities	58,342,845	-	-	-	-	58,342,845	58,342,845
	<b>61,591,729</b>	<b>-</b>	<b>-</b>	<b>26,672,062</b>	<b>-</b>	<b>88,263,791</b>	<b>88,263,791</b>
<b>Financial assets not measured at fair value</b>							
Cash and cash equivalents	-	-	4,384,088	-	-	4,384,088	4,384,088
Amounts due from credit institutions	-	-	41,577,957	-	-	41,577,957	41,171,445
Debt securities	-	2,319,943	-	-	-	2,319,943	2,173,466
Other financial assets	-	-	500,000	1,885,405	-	2,385,405	2,362,223
	<b>-</b>	<b>2,319,943</b>	<b>46,462,045</b>	<b>1,885,405</b>	<b>-</b>	<b>50,667,393</b>	<b>50,091,222</b>
<b>Financial liabilities measured at fair value</b>							
Cross currency and interest rate swap	7,634,334	-	-	-	-	7,634,334	7,634,334
	<b>7,634,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,634,334</b>	<b>7,634,334</b>
<b>Financial liabilities not measured at fair value</b>							
Other liabilities	-	-	-	-	198,412	198,412	198,412
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,412</b>	<b>198,412</b>	<b>198,412</b>

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The Group has a control framework with respect to the measurement of fair values. This framework includes engagement of independent valuation by qualified appraisal which reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing
- a review and approval process for new models and changes to models
- quarterly calibration and back testing of models against observed market transactions
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous period.

The table below analyses financial instruments measured at fair value as at 31 December 2017, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

'000 KZT	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Equity instruments	-	-	62,480,863	62,480,863
- Debt instruments	-	-	3,723,791	3,723,791
- Derivative liabilities	-	(8,026,656)	-	(8,026,656)
Available-for-sale financial assets				
- Debt instruments	55,461,134	4,987,479	-	60,448,613
	<u>55,461,134</u>	<u>(3,039,177)</u>	<u>66,204,654</u>	<u>118,626,611</u>

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised: The amounts are based on the values recognised in the statement of financial position:

'000 KZT	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Equity instruments	-	-	58,342,845	58,342,845
- Debt instruments	-	-	3,248,884	3,248,884
- Derivative liabilities	-	(7,634,334)	-	(7,634,334)
Available-for-sale financial assets				
- Debt instruments	21,611,520	5,060,542	-	26,672,062
	<b>21,611,520</b>	<b>(2,573,792)</b>	<b>61,591,729</b>	<b>80,629,457</b>

The following table shows a reconciliation for the year ended 31 December 2017 for fair value measurements in Level 3 of the fair value hierarchy:

'000 KZT	Equity and debt instruments
Balance at beginning of the year	61,591,729
Net gains or losses in profit or loss	951,013
Acquisitions	6,281,790
Disposals	(2,619,878)
<b>Balance at end of the year</b>	<b>66,204,654</b>

The following table shows a reconciliation for the year ended 31 December 2016 for fair value measurements in Level 3 of the fair value hierarchy:

'000 KZT	Equity and debt instruments
Balance at beginning of the year	56,986,473
Net gains or losses in profit or loss	3,681,298
Acquisitions	9,286,617
Disposals	(8,362,659)
<b>Balance at end of the year</b>	<b>61,591,729</b>

The Group's investments in equity investments categorised as level 3 comprise holdings in investment funds. These funds invest primarily in private equity, through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly Kazakhstan and Russia). To determine the fair value of the Group's holdings in these investment funds, the Group engaged an independent appraiser for the years ended 31 December 2017 and 31 December 2016. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Group's share of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

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

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

The following table shows the most significant portfolio investments held by the investment funds, the valuation approach used to value these portfolio investments, and the sensitivity of the appraisers' fair value estimate to changes in key assumptions.

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant underlying portfolio companies of private equity funds categorised as Level 3 in the fair value hierarchy as at 31 December 2017, together with a sensitivity analysis for shifts in these inputs which the Group considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

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

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	2,990,970 1,574,794	Cost approach Cost approach	Adjustment to NAV Adjustment to NAV	+/- 5% +/- 5%	149,549 78,740
Property management and construction materials	149,556	Cost approach	Adjustment to NAV	+/- 5%	7,478
Electrical engineering industry	80,450	Comparative approach	EBITDA/(multiplier)	+/- 5%	4,023
Financial services	1,020,584	Cost approach	Adjustment to NAV	+/- 5%	51,029
	575,706	Comparative approach	EBITDA/(multiplier)	+/- 5%	28,785
	551,543	Comparative approach	EBITDA/(multiplier)	+/- 5%	27,577
	212,957	Cost approach	Adjustment to NAV	+/- 5%	10,648
Entertainment	1,814,089	Comparative approach	EBITDA/(multiplier)	+/- 5%	90,704
	740,265	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,013
	306,345	Comparative approach	EBITDA/(multiplier)	+/- 5%	15,317
Telecom services	1,956,392	Cost approach	Adjustment to NAV	+/- 5%	97,820
	251,020	Cost approach	Adjustment to NAV	+/- 5%	12,551
	61,736	Comparative approach	EBITDA/(multiplier)	+/- 5%	3,087
Technology	6,628,348	-	-	-	-
Other	6,628,348	-	-	-	-
<b>Total</b>	<b>66,204,654</b>	-	-	-	-

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

The table below sets out information about significant unobservable inputs used at year end in the measuring of the most significant underlying portfolio companies of private equity funds categorised as Level 3 in the fair value hierarchy as at 31 December 2016, together with a sensitivity analysis for shifts in these inputs which the Group considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	13,361,675	Cost approach	Adjustment to NAV	+/- 5%	668,084
	4,857,127	Income approach	Discounted CF	+/- 5%	242,856
	2,297,411	Cost approach	Adjustment to NAV	+/- 5%	114,871
Unconventional energy	2,084,721	Cost approach	Adjustment to NAV	+/- 5%	104,236
	189,049	Cost approach	Adjustment to NAV	+/- 5%	9,452
	61,977	Income approach	Discounted CF	+/- 5%	3,099
	52,232	Cost approach	Adjustment to NAV	+/- 5%	2,612
	21,196	Cost approach	Adjustment to NAV	+/- 5%	1,060
	2,896,954	Income approach	Discounted CF	+/- 5%	144,848
Transportation and logistics services	1,669,419	Cost approach	Adjustment to NAV	+/- 5%	83,471
	1,039,013	Cost approach	Adjustment to NAV	+/- 5%	51,951
	977,290	Cost approach	Adjustment to NAV	+/- 5%	48,865
	928,863	Cost approach	Adjustment to NAV	+/- 5%	46,443
	255,603	Income approach	Discounted CF	+/- 5%	12,780
Production	833,223	Cost approach	Adjustment to NAV	+/- 5%	41,661
	4,306,429	Income approach	Discounted CF	+/- 5%	215,321
Manufacturing	3,248,884	Income approach	Discounted CF	+/- 5%	162,444
	900,783	Cost approach	Adjustment to NAV	+/- 5%	45,039
	900,721	Cost approach	Adjustment to NAV	+/- 5%	45,036
	888,388	Cost approach	Adjustment to NAV	+/- 5%	44,419
Natural resources	3,193,575	Income approach	Discounted CF	+/- 5%	159,679
	956,876	Comparative approach	EBITDA/(multiplier)	+/- 5%	47,844
Medical diagnostics	940,378	Comparative approach	EBITDA/(multiplier)	+/- 5%	47,019
	461,940	Comparative approach	EBITDA/(multiplier)	+/- 5%	23,097

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	1,649,786	Cost approach	Adjustment to NAV	+/- 5%	82,489
Property management and construction materials	420,572	Cost approach	Adjustment to NAV	+/- 5%	21,029
	1,786,161	Cost approach	Adjustment to NAV	+/- 5%	89,308
	179,040	Cost approach	Adjustment to NAV	+/- 5%	8,952
Light industry	139,803	Cost approach	Adjustment to NAV	+/- 5%	6,990
Chemical industry	80,683	Comparative approach	EBITDA/(multiplier)	+/- 5%	4,034
Electrical engineering industry	80,683	Comparative approach	EBITDA/(multiplier)	+/- 5%	4,034
Financial services	568,411	Cost approach	Adjustment to NAV	+/- 5%	28,421
	242,947	Cost approach	Adjustment to NAV	+/- 5%	12,147
Automobile production and distribution	853,366	Cost approach	Adjustment to NAV	+/- 5%	42,668
	713,152	Cost approach	Adjustment to NAV	+/- 5%	35,658
Entertainment	525,389	Cost approach	Adjustment to NAV	+/- 5%	26,269
	478,438	Cost approach	Adjustment to NAV	+/- 5%	23,922
	197,974	Cost approach	Adjustment to NAV	+/- 5%	9,899
Telecom services	413,985	Cost approach	Adjustment to NAV	+/- 5%	20,699
	78,939	Comparative approach	EBITDA/(multiplier)	+/- 5%	3,947
Technology	331,492	Cost approach	Adjustment to NAV	+/- 5%	16,575
Other	5,527,181	-	-	-	-
<b>Total</b>	<b>61,591,729</b>				

## 20 Fair values of financial instruments, continued

### (b) Fair value hierarchy, continued

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

'000 KZT	Level 2	Total fair values	Total carrying amount
<b>Assets</b>			
Cash and cash equivalents	9,064,474	9,064,474	9,064,474
Amounts due from credit institutions	7,254,801	7,254,801	7,254,801
Other financial assets	69,506	69,506	69,506

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

'000 KZT	Level 2	Total fair values	Total carrying amount
<b>Assets</b>			
Cash and cash equivalents	4,384,088	4,384,088	4,384,088
Amounts due from credit institutions	41,171,445	41,171,445	41,577,957
Held-to-maturity investments	2,173,466	2,173,466	2,319,943
Other financial assets	1,885,405	1,885,405	1,885,405

## 21 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) Investment entity

The Group has a single investor, its Parent Company National Management Holding "Baiterek" JSC, and holds multiple investments in venture funds, which in turn holds investments in equity of start-up businesses or businesses in their early development stage. The Group has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- The Group has obtained funds for the purpose of providing the investor with professional investment management services through investing funds in businesses, which need support for further development of their industries.
- The Group's business purpose is investing for capital appreciation and investment income.
- The investments are measured and evaluated on a fair value basis.
- The Group has a clear exit strategy, for selling investments after five and ten years of holding the investment.

#### (ii) Subsidiaries

The Group has six subsidiaries determined to be controlled subsidiary investments, as disclosed in Note 1. These subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10, except for Baiterek Venture Fund JSC, which is determined to be investment entity itself which provides investment services, and is therefore consolidated.

The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, as described in Note 20. Controlled subsidiary investments include special purpose entities (SPE) over which the Group has the power to govern the financial and operating policies accompanying a shareholding of an interest of 80 to 100 percent of the voting rights.



## **21 Significant accounting policies, continued**

### **(a) Basis of consolidation, continued**

#### **(ii) Subsidiaries, continued**

The Group's consolidated subsidiary (Baiterek Venture Fund JSC) operates as an investment entity whereby the Group invests and commits to invest into various portfolio companies. The Group invests into the portfolio companies by purchasing the unlisted and listed private equity instruments of private companies or providing debt finance to these companies. The portfolio companies may pay cash interest or accrue interest in-kind on the debt held by the Group and repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the portfolio companies operating results and are at the discretion of the Board of Directors of the respective portfolio companies which are then paid up to the Group.

#### **(iii) Interests in associates and joint ventures**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted as financial instruments at fair value through profit or loss in accordance with the scope exemption in IAS 28 *Investments in Associates*.

### **(b) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are retranslated to the functional currency at the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

### **(c) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with banks, and highly liquid financial assets with original maturities of less than three months, which are not subject to significant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## **21 Significant accounting policies, continued**

### **(d) Financial instruments**

#### **(i) Classification**

*Financial instruments at fair value through profit or loss are financial assets or liabilities that are:*

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative that is a financial guarantee contract or designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value) are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale; or
- meet the definition of loans and receivables.

## **21 Significant accounting policies, continued**

### **(d) Financial instruments, continued**

#### **(i) Classification, continued**

*Available-for-sale financial assets* are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

#### **(ii) Recognition**

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

#### **(iii) Measurement**

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments that are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured; which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

#### **(iv) Amortised cost**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

#### **(v) Fair value measurement principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

## **21 Significant accounting policies, continued**

### **(d) Financial instruments, continued**

#### **(v) Fair value measurement principles, continued**

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

#### **(vi) Gains and losses on subsequent measurement**

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

#### **(vii) Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

## **21 Significant accounting policies, continued**

### **(d) Financial instruments, continued**

#### **(vii) Derecognition, continued**

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

#### **(viii) Derivative financial instruments**

Derivative financial instruments include cross currency and interest rate swaps.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

#### **(ix) Offsetting**

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

### **(e) Property, plant and equipment**

#### **(i) Recognition**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

#### **(ii) Depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- motor vehicles	8 to 10 years;
- computer software	3 to 8 years;
- other	2 to 10 years.

### **(f) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 5 years.

## **21 Significant accounting policies, continued**

### **(g) Impairment**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### **(i) Financial assets carried at amortised cost**

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

The Group assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

## **21 Significant accounting policies, continued**

### **(g) Impairment, continued**

#### **(i) *Financial assets carried at amortised cost, continued***

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan or receivable balance (and any related allowances for losses) when the Group's management determines that the loans and receivables are uncollectible and when all necessary steps to collect the loans or receivables are completed.

#### **(ii) *Available-for-sale financial assets***

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### **(iii) *Non-financial assets***

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

### **(h) Investment related commitments**

In the normal course of business, the Group enters into investment related commitments, comprising undrawn investment commitments. Provisions for losses under investment related commitments are recognised when losses are considered probable and can be measured reliably.

#### **(i) Share capital**

##### **(i) *Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## **21 Significant accounting policies, continued**

### **(i) Share capital, continued**

#### **(ii) Dividends**

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

### **(j) Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **(k) Income and expense recognition**

Interest income and expense are recognised in profit or loss using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### **(l) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2017, and are not applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.



## **21 Significant accounting policies, continued**

### **(l) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 Financial Instruments, continued**

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

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

The Group will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date. Based on its preliminary assessment, the Group does not believe that an actual impact of IFRS 9 implementation on the Group's financial statements in 2018 would have had a material impact on its accounting for financial assets and financial liabilities that are managed on a fair value basis.

### **(i) Classification - Financial assets**

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

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

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

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

## **21 Significant accounting policies, continued**

### **(l) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 Financial Instruments, continued**

#### **(i) Classification - Financial assets**

##### **Business model assessment**

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

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

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

##### **Assessment whether contractual cash flows are solely payments of principal and interest**

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

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

In making the assessment, the Group will consider:

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

## 21 Significant accounting policies, continued

### (l) New standards and interpretations not yet adopted, continued

#### **IFRS 9 *Financial Instruments*, continued**

#### (i) *Classification - Financial assets*

##### **Assessment whether contractual cash flows are solely payments of principal and interest**

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

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

##### **Impact assessment**

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

- Financial instruments that are managed on a fair value basis and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.
- Cash and cash equivalents and placements with bank deposits that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.

##### **Impact assessment**

The Group has estimated that the adoption of IFRS 9 at 1 January 2018 will not result in significant changes in the Group's equity.

#### (ii) *Impairment – Financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ELC) model.

The new impairment model applies to the financial instruments that are not measured at FVTPL.

Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except for financial instruments for which credit risk has not increased significantly since initial recognition.

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

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

## **21 Significant accounting policies, continued**

### **(i) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 Financial Instruments, continued**

### **(ii) Impairment – Financial assets, continued**

#### **Measurement of ECLs**

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

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

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

#### **Definition of default**

Under IFRS 9, the Group will consider a financial asset to be in default when:

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

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

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

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

#### **Significant increase in credit risk**

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

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

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

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

#### **Credit risk grades**

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

## **21 Significant accounting policies, continued**

### **(i) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 *Financial Instruments*, continued**

### **(ii) *Impairment – Financial assets, continued***

#### **Determining whether credit risk has increased significantly**

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

#### **Modified financial assets**

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

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

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

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

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

#### **Inputs into measurement of ECLs**

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

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

*EAD* represents the expected exposure in the event of a default. The Group will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

## **21 Significant accounting policies, continued**

### **(I) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 *Financial Instruments*, continued**

#### **(ii) *Impairment – Financial assets, continued***

##### **Forward-looking information**

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

##### **Impact assessment**

The Group has estimated that the adoption of IFRS 9 at 1 January 2018 will not have any significant impact on loss allowances.

#### **(iii) *Classification - Financial liabilities***

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

#### **(iv) *Derecognition and contract modification***

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

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

The Group expects an immaterial impact from adopting these new requirements.

#### **(v) *Disclosures***

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

#### **(vi) *Impact on capital planning***

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

#### **(vii) *Transition***

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

## **21 Significant accounting policies, continued**

### **(l) New standards and interpretations not yet adopted, continued**

#### **IFRS 9 *Financial Instruments*, continued**

##### **(viii) *Transition, continued***

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

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

#### ***Other changes***

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

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2 *Share-Based Payment*)
- *Transfers of Investment Property* (Amendments to IAS 40).
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*.