KPMG COPY

Kazyna Capital Management JSC

Consolidated Financial Statements
for the year ended
31 December 2018

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	11-67

«КПМГ Аудит» жауапкершілігі шектеулі серіктестік
Қазақстан, 050051, Алматы,
Достық д-лы, 180,
Тел.: +7 (727) 298-08-98

KPMG Audit LLC
180 Dostyk Avenue, Almaty,
050051, Kazakhstan,
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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the 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.

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген жауапкершілігі шектеулі серіктестік, Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Sergey Dementyev

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

28 February 2019

	Note	2018 '000 KZT	2017 '000 KZT*
Interest income calculated using the effective interest rate method	6	3,537,892	2,894,560
Net gain on financial instruments at fair value through profit or loss	24	4,032,816	951,013
Net loss on financial derivatives	14	(1,026,236)	(495,336)
Dividend income from financial instruments at fair value through profit or loss	14	3,681,889	1,613,597
Net foreign exchange gain /(loss)	10	10,123,505	(140,757)
Net gain on investment financial assets		160,150	260,294
Other operating income		9,161	82,818
Operating income		**20,519,177**	**5,166,189**
Losses on impairment of debt financial assets	11	(13,816,636)	(174,726)
Personnel expenses	7	(476,341)	(439,996)
General and administrative expenses	8	(554,535)	(584,112)
Profit before income tax		**5,671,665**	**3,967,355**
Income tax expense	9	(1,996,698)	(1,026,414)
Profit for the year		**3,674,967**	**2,940,941**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for investment financial assets			
- Net change in fair value, net of income tax		(2,025,676)	839,926
- Net change in fair value transferred to profit or loss		(235,324)	(256,259)
Other comprehensive (loss)/income for the year, net of income tax		**(2,261,000)**	**583,667**
Total comprehensive income for the year		**1,413,967**	**3,524,608**

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

The consolidated financial statements as set out on pages 6 to 67 were approved by management on 28 February 2019 and were signed on its behalf by:

Timur Beguliyev
Deputy Chairman of the Management Board

Raukhan Kuttybayeva
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	2018 '000 KZT	2017 '000 KZT*
ASSETS			
Cash and cash equivalents	12	6,672,269	9,064,474
Amounts due from credit institutions	13	25,070,425	7,254,801
Financial instruments at FVTPL FVTPL	14	107,187,696	66,204,654
Investment financial assets	15	45,912,000	60,448,613
Deferred tax asset	9	1,897,710	-
Current tax asset		-	1,606,388
Property, plant and equipment and intangible assets		25,858	36,569
Other assets		50,900	167,925
Total assets		**186,816,858**	**144,783,424**
LIABILITIES			
Debt securities issued	16	40,150,736	-
Financial instruments at FVTPL	14	9,869,170	8,026,656
Current tax liabilities		176,081	
Deferred tax liabilities	9	-	720,167
Other liabilities		437,182	274,884
Total liabilities		**50,633,169**	**9,021,707**
EQUITY			
Share capital	17	87,440,000	87,440,000
Revaluation reserve for investment financial assets		(1,168,878)	953,363
Retained earnings		49,912,567	47,368,354
Total equity		**136,183,689**	**135,761,717**
Total liabilities and equity		**186,816,858**	**144,783,424**

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

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

	2018 '000 KZT	2017 '000 KZT*
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income	3,931,619	3,575,609
Dividends received	3,681,889	1,339,688
Personnel expenses paid	(486,737)	(416,119)
Other general administrative expenses payments	(485,699)	(547,375)
(Increase)/decrease in operating assets		
Financial instruments at FVTPL	(36,950,226)	(3,560,969)
Purchase of investment financial assets	(6,985,740)	(31,859,006)
Sale and repayment of investment financial assets	28,841,533	1,977,516
Amounts due from credit institutions	(31,690,201)	33,300,768
Other assets	(197,765)	500,000
Increase in operating liabilities		
Financial instruments at FVTPL	816,278	816,278
Net cash flow (used in) /from operating activities before income tax	**(39,525,049)**	**5,126,390**
Income tax paid	(2,832,106)	(498,000)
Net cash flow (used in)/from operating activities	**(42,357,155)**	**4,628,390**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(9,053)	(15,059)
Net cash flows used in investing activities	**(9,053)**	**(15,059)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 17 (b))	(882,282)	-
Proceeds from issue of share capital	40,150,000	-
Net cash flows from financing activities	**39,267,718**	-
Net (decrease)/increase in cash and cash equivalents	**(3,098,490)**	**4,613,331**
Cash and cash equivalents at 1 January	9,064,474	4,384,088
Effect of changes in exchange rates on cash and cash equivalents	706,285	67,055
Cash and cash equivalents as at the end of the year (Note 12)	**6,672,269**	**9,064,474**

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

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

'000 KZT	Share capital	Fair value reserve for securities	Retained earnings	Total
Balance at 1 January 2018*	**87,440,000**	**953,363**	**47,368,354**	**135,761,717**
Impact of adopting IFRS 9 as at 1 January 2018 (see Note 5)		138,759	(248,472)	(109,713)
Restated balance as at 1 January 2018	**87,440,000**	**1,092,122**	**47,119,882**	**135,652,004**
Total comprehensive income				
Profit for the year	-	-	3,674,967	3,674,967
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value, net of income tax	-	(2,025,676)	-	(2,025,676)
Net change in fair value transferred to profit or loss	-	(235,324)	-	(235,324)
Total other comprehensive loss	-	(2,261,000)	-	(2,261,000)
Total comprehensive income for the year	**-**	**(2,261,000)**	**3,674,967**	**1,413,967**
Transactions with owners recorded directly in equity				
Dividends declared (Note 17 (b))	-	-	(882,282)	(882,282)
Total transactions with owners	-	-	**(882,282)**	**(882,282)**
Balance at 31 December 2018	**87,440,000**	**(1,168,878)**	**49,912,567**	**136,183,689**

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

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.

'000 KZT	Share capital	Revaluation reserves for available-for-sale financial assets	Retained earnings	Total
Balance at 1 January 2017	**87,440,000**	**369,696**	**44,539,501**	**132,349,197**
Profit for the year	-	-	2,940,941	2,940,941
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
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
Total comprehensive income for the year	-	**583,667**	**2,940,941**	**3,524,608**
Transactions with owners recorded directly in equity				
Discount on instruments which terms are defined by Parent Company	-	-	(112,088)	(112,088)
Total transactions with owners	-	-	**(112,088)**	**(112,088)**
Balance at 31 December 2017	**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 Joint Stock Company ("the Company") and its subsidiaries (together referred to as "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 #516 of the Committee of Government property and the order #630 of the Ministry of Finance of the Republic of Kazakhstan dated 25 May 2013, all shares of the Company were transferred from Sovereign Wealth Fund "Samruk-Kazyna" JSC to National Management Holding "Baiterek" Joint Stock Company. The ultimate principal shareholder of the Group is the Government of the Republic of Kazakhstan.

The principal activities of the Group are the establishment of and participation in investment funds and investments in financial instruments.

The Company's registered office is 55A, Mangilik El Avenue, Astana, Republic of Kazakhstan.

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership, % 2018	Ownership, % 2017
Nurzhol Energy LLC	Kazakhstan	Investment in Macquarie Renaissance Infrastructure Fund	-	100.00
MRIF CASP C.V.***	The Netherlands	Investment in Macquarie Renaissance Infrastructure Fund	-	99.00
Kazyna Investment Holding Cooperatief U.A.***	The Netherlands	Investment in Falah Growth Fund	-	100.00
Kazyna Seriktes B.V.	The Netherlands	Investments in funds	100.00	100.00
Kazakhstan-Tajikistan Fund of Direct Investments JSC	Kazakhstan	Investment in private equity projects	-	86.00
Baiterek Venture Fund JSC*	Kazakhstan	Investment in private equity projects	100.00	100.00
BV Management LLP**	Kazakhstan	Investment management	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 November 2018, 100% interest in BV Management LLP was repurchased from the subsidiary of Baiterek Venture Fund JSC. BV Management is measured at fair value through profit or loss as it does not meet the criteria of an investment entity under IFRS 10.

*** In June 2018 the Group has restructured the private equity funds and foreign subsidiaries MRIF CASP C.V. and Kazyna Investment Holding Cooperatief U.A. The Group performed necessary arrangements to transfer the Group's assets to the special purpose vehicle (SPV) Kazyna Seriktes B.V., which is 100% subsidiary of the Group incorporated in the Netherlands.

1 Reporting entity, continued

(a) Organisation and operations, continued

The Group transferred the assets of 10 DIFs (Falah Growth Fund L.P., Russian-Kazakhstan Nanotechnology Fund, Macquarie Russia & CIS Infrastructure Fund L.P., Kazakhstan Infrastructure Fund C.V., ADM Kazakhstan Capital Restructuring Fund C.V., Kazakhstan Growth Fund L.P., DBK Equity Fund C.V., Wolfensohn Capital Partners L.P., CITIC Kazyna Investment Fund I L.P. and Islamic Infrastructure Fund L.P.).

The Group's investments in DIFs have been restructured to optimise the tax burden of the Group's entities.

As at 31 December 2018, 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 the Company does not control Kazakhstan Infrastructure Fund C.V. (Note 14). As at 31 December 2017, Kazakhstan Infrastructure Fund C.V., with the Group's 95% ownership interest in it, did not qualify as a subsidiary of the Group.

(b) 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 the management's assessment of the impact of the Republic of 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 accounting

(a) Statement of compliance

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

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

(b) Functional and presentation 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.

Financial information presented in KZT is rounded to the nearest thousand.

(c) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

2 Basis of accounting, continued

(c) Use of estimates and judgments, continued

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Group's consolidated financial statements is included in the following notes:

- determining the Group as an investment entity under IFRS 10 – Note 3(a)(i).
- determining the functional currency of the Group – Note 2(b).
- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3 (e)(i).
- establishing assessment criteria whether the credit risk of a financial asset has increased significantly since initial recognition - Note 4.

Assumptions and estimations uncertainty

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 2018 is included in the following notes:

- impairment of financial instruments – Notes 4 and 13;
- determining fair value of financial instruments measured at fair value through profit or loss – Notes 14, 18(c) and 24.

(d) Changes in accounting policies and presentation

The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

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

The adoption of IFRS 15 did not impact significantly the financial statements of the Group.

The effect of initially applying IFRS 9 is mainly attributed to the following:

- an increase in impairment losses on financial assets;
- additional disclosures related to IFRS 7 (see Note 5).

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

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

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

2 Basis of accounting, continued

(d) Changes in accounting policies and presentation, continued

IFRS 9 Financial Instruments, continued

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 3(e)(i).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. For an explanation of how the Group classifies financial liabilities under IFRS 9, see Note 3(e)(i).

Impairment of financial assets

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

Impairment of financial assets, continued

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

Transition

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

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that exist at the date of initial application.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

IFRS 15 Revenue from Contracts with Customers

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

The Group initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8. The adoption of IFRS 15 did not impact significantly the financial statements of the Group.

3 Significant accounting policies

Except for the changes disclosed in Note 2(d), the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

3 Significant accounting policies, continued

(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, which was communicated directly to the investor, 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 three subsidiaries determined to be controlled subsidiary investments, as disclosed in Note 1 (2017: six subsidiaries). 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 24. 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.

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 for IAS 28 *Investments in Associates*.

3 Significant accounting policies, continued

(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 exchange rate 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 is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using 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 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 the banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant 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.

(d) Interest income

Accounting policy applicable from 1 January 2018

Effective interest rate

Interest income are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

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

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

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

Amortised cost versus gross carrying amount

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

3 Significant accounting policies, continued

(d) Interest income, continued

Accounting policy applicable from 1 January 2018, continued

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

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

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

For information on when financial assets are credit-impaired, see (e)(iv).

Presentation

Interest income presented in the statement of profit or loss and other comprehensive income comprise interest income calculated using the effective interest method, for financial assets and financial liabilities measured at amortised cost as well as for debt financial instruments measured at fair value through other comprehensive income.

Accounting policy applicable before 1 January 2018

Effective interest rate

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Group estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost, as well as available-for-sale financial assets.

(e) Financial assets and financial liabilities

(i) Classification

Financial assets – accounting policy applicable from 1 January 2018

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(i) Classification, continued

Financial assets – accounting policy applicable from 1 January 2018, continued

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

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

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

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

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

- Interest income calculated using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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

All other financial assets are classified as 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.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the 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; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(i) Classification, continued

Financial assets – Policy applicable from 1 January 2018, continued

Business model assessment, continued

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

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

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

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

- 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 of the time value of money – e.g. periodical reset of interest rates.

Non-recourse loans

In some cases, financial assets limit the Group's claim to cash flows of certain assets (non-recourse financial assets). The Group applies judgment in assessing whether the non-recourse financial assets meet the SPPI criterion. The Group typically considers the following information when making this judgement:

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

Reclassification

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(i) Classification, continued

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

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

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost.

Financial liabilities are not reclassified subsequent to their initial recognition.

(ii) Derecognition

Financial assets

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

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

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the 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 asset.

Financial liabilities

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

(iii) Modification of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

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

Policy applicable from 1 January 2018, continued

Financial assets, continued

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

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

- change the currency of the financial asset;
- change in collateral or other credit enhancement.

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

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

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

If such a modification is carried out because of financial difficulties of the issuer, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

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

Policy applicable from 1 January 2018, continued

Financial liabilities, continued

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

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

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

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the terms of a financial asset were modified because of financial difficulties of the issuer and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Policy applicable before 1 January 2018

Financial liabilities

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

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(iv) Impairment

See also Note 4.

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses (ECL) on debt financial instruments that are measured at amortised cost:

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

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

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

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

Measurement of ECL

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

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group 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*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(iv) Impairment, continued

Policy applicable from 1 January 2018, continued

Credit-impaired financial assets

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

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

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

An instrument that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financial instrument that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-offs

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Objective evidence of impairment

At each reporting date, the Group assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of the issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that an issuer would enter bankruptcy;
- the disappearance of an active market for a security.

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

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(iv) Impairment, continued

Policy applicable before 1 January 2018

The Group considered evidence of impairment for financial assets at both a specific asset and a collective level. All individually significant receivables were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Financial assets that were not individually significant were collectively assessed for impairment by grouping together financial assets with similar credit risk characteristics.

Individual or collective assessment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial position and the net realisable value of any underlying collateral. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

The collective allowance for groups of homogeneous loans was established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience. The methodology used statistical analysis of historical data on delinquency to estimate the amount of loss. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Roll rates and loss rates were regularly benchmarked against actual loss experience.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Loans that were subject to a collective IBNR provision were not considered impaired.

Measurement of impairment

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on available-for-sale assets were calculated as the difference between the carrying amount and the fair value.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were 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 attributable to time value were reflected as a component of interest income.

3 Significant accounting policies, continued

(e) Financial assets and financial liabilities, continued

(iv) Impairment, continued

Policy applicable before 1 January 2018, continued

Write-off

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

(f) Embedded derivatives

Policy applicable from 1 January 2018

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

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

Separated embedded derivatives are measured at fair value through profit or loss.

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

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

Policy applicable before 1 January 2018

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

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

Separated embedded derivatives are measured at fair value through profit or loss.

(g) 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.

3 Significant accounting policies, continued

(g) Property, plant and equipment, continued

(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:

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

(h) 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 profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life of intangible assets is 5 years.

(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.

(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 taxes 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.

3 Significant accounting policies, continued

(j) Taxation, continued

Deferred tax assets are 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 taxable profit will be available against which the deductible temporary differences can be utilised.

(k) 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.

(l) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Group has not early adopted the following new or amended standards in the preparing these financial statements.

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

- IFRS 16 *Leases from 1 January 2019.*
- IFRIC 23 *Uncertainty over Tax Treatments.*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28).
- *Plan Amendment, Curtailment or Settlement* (Amendments to IAS 19).
- *Annual Improvements to IFRS Standards 2015–2017 Cycle* – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 *Insurance Contracts.*

4 Financial risk review

This note presents information about the Group's exposure to financial risks. For information on the Group's financial risk management framework, see Note 18.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv).

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of debtor.

4 Financial risk review, continued

Credit risk - Amounts arising from ECL, continued

Inputs, assumptions and techniques used for estimating impairment, continued

Significant increase in credit risk, continued

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

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

- Information obtained during periodic review of issuer files – e.g. audited financial statements, management accounts, budgets and projections;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Payment record – this includes overdue status as well as a range of variables about payment ratios;
- Actual and expected significant changes in the political, regulatory and technological environment of the issuer or in its business activities.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects default information about its credit risk exposures analysed by type of product and issuer as well as by credit risk grading.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, the credit rating of an issuer is determined to have decreased by 2 and more positions since initial recognition.

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 based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Definition of default

The Group considers 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);
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

4 Financial risk review, continued

Credit risk - Amounts arising from ECL, continued

Inputs, assumptions and techniques used for estimating impairment, continued

Significant increase in credit risk, continued

Definition of default, continued

In assessing whether an issuer is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is also based on the information from external sources. External information considered includes economic data and forecasts published by governmental bodies, the NBRK, the Ministry of National Economy of the Republic of Kazakhstan, and selected private sector and academic forecasters. The key driver, which impacts the assessment of credit risk and credit losses, is GDP forecasts.

Modified financial assets

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

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

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

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

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

The revised terms usually include extending the maturity and changing the timing of interest payments.

4 Financial risk review, continued

Credit risk - Amounts arising from ECL, continued

Inputs, assumptions and techniques used for estimating impairment, continued

Significant increase in credit risk, continued

Modified financial assets, continued

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired and default event occurred. An issuer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

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

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

PD estimates are estimates at a certain date, which are calculated for exposures. These estimates are 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. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an outstanding amount.

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

4 Financial risk review, continued

Credit risk - Amounts arising from ECL, continued

Inputs, assumptions and techniques used for estimating impairment, continued

Significant increase in credit risk, continued

Measurement of ECL, continued

	Carrying amount as at 31 December 2018	External benchmarks used	
		PD	LGD
Cash and cash equivalents	6,672,269	S&P's default study	S&P recovery studies / For exposures within Kazakhstan, LGD is based historical recoveries from defaulted financial institutions
Amounts due from credit institutions	25,070,425		
Investment financial assets	45,912,000		

Credit quality analysis

The following table provides information on the credit quality of financial assets measured at amortised cost as at 31 December 2018. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(e)(iii).

	31 December 2018		
'000 KZT	12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total
Cash and cash equivalents			
- rated from BBB- to BBB+	5,522,384	-	5,522,384
- rated from BB- to BB+	62,459	-	62,459
- rated from B- to B+	1,041	-	1,041
- not rated (Citibank Kazakhstan JSC)	1,086,385	-	1,086,385
Carrying amount	**6,672,269**	-	**6,672,269**
Amounts due from credit institutions			
- rated from BBB- to BBB+	11,537,678	-	11,537,678
- rated from BB- to BB+	7,093,452	-	7,093,452
- rated from B- to B+	6,347,375	799,055	7,146,430
- rated D	-	9,110,622	9,110,622
	24,978,505	**9,909,677**	**34,888,182**
Impairment allowance	(147,797)	(9,669,960)	(9,817,757)
Carrying amount	**24,830,708**	**239,717**	**25,070,425**
Investment securities measured at fair value through other comprehensive income			
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	13,686,864	-	13,686,864
- rated from BBB- to BBB+	278,366	-	278,366
- rated from BB- to BB+	29,672,272	-	29,672,272
- rated from B- to B+	990,996	-	990,996
	44,628,498	-	**44,628,498**
Impairment allowance	(96,569)	-	(96,569)
Gross carrying amount	**46,540,895**	-	**46,540,895**
Carrying amount	**44,628,498**	-	**44,628,498**
Investment financial assets measured at amortised cost			
- rated from B- to B+	-	1,283,502	1,283,502
Carrying amount	-	**1,283,502**	**1,283,502**

5 Transition to IFRS 9

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

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

'000 KZT	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification	Remeasurement	New carrying amount under IFRS 9
Financial assets							
Cash and cash equivalents	12	Loans and receivables	Amortised cost	9,064,474	-	-	9,064,474
Amounts due from credit institutions*	13	Loans and receivables	Amortised cost	7,254,801	-	(109,713)	7,145,088
Financial instruments at fair value through profit or loss	14	Fair value through profit or loss (FVTPL)(mandatory)	Fair value through profit or loss (FVTPL)(mandatory)	66,204,654	-	-	66,204,654
Available-for-sale financial assets		Available-for-sale	-	60,448,613	(60,448,613)	-	-
Investment financial assets (b)	15	-	Fair value through other comprehensive income. (FVOCI)	-	60,448,613	-	60,448,613
Other financial assets		Amortised cost	Amortised cost	111,133	-	-	111,133
Total financial assets				143,083,675	-	(109,713)	142,973,962
Financial instruments at fair value through profit or loss		Fair value through profit or loss (FVTPL)(mandatory)	Fair value through profit or loss (FVTPL)(mandatory)	8,026,656	-	-	8,026,656
Other financial liabilities		Amortised cost	Amortised cost	197,920	-	-	197,920
Total financial liabilities				8,224,576	-	-	8,224,576

As of 1 January 2018, the Group had a deposit in a bank with a carrying value of zero in accordance with IAS 39. This financial asset is mandatorily classified as measured at fair value through profit or loss in accordance with IFRS 9, as it does not meet SPPI criterion. The fair value of this asset is estimated as being equal to zero as of 1 January 2018.

5 Transition to IFRS 9, continued

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

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

(a) Included in financial instruments at fair value through profit or loss are debt instruments with carrying amount of KZT 3,723,791 thousand classified under IFRS 9 as mandatorily measured at FVTPL due to non-compliance with the SPPI criterion.

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

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings.

'000 KZT	Impact of adopting IFRS 9 as at 1 January 2018
Fair value reserve - securities	
Closing balance under IAS 39 (31 December 2017)	953,363
Recognition of expected credit losses under IFRS 9 for debt investment securities at FVOCI	138,759
Opening balance under IFRS 9 (1 January 2018)	**1,092,122**
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	47,368,354
Recognition of expected credit losses under IFRS 9	(248,472)
Opening balance under IFRS 9 (1 January 2018)	**47,119,882**

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

	Impairment allowance and provisions		
'000 KZT	31 December 2017 (IAS 39/ IAS 37)	Remeasure-ment	1 January 2018 (IFRS 9)
Amounts due from credit institutions	(8,544,859)	554,529	(7,990,330)
Available-for-sale debt investment securities under IAS 39 reclassified to measurement category at FVOCI under IFRS 9	-	(138,759)	(138,759)

6 Interest income calculated using the effective interest method

	2018 '000 KZT	2017 '000 KZT
Investment financial assets	2,645,339	1,962,574
Amounts due from credit institutions	696,131	877,988
Cash and cash equivalents	196,422	47,269
Other assets	-	5,000
Reverse repurchase agreements	-	1,729
	3,537,892	**2,894,560**

7 Personnel expenses

	2018 '000 KZT	2017 '000 KZT
Employee compensation	439,948	406,918
Payroll related taxes	36,393	33,078
	476,341	**439,996**

8 General and administrative expenses

	2018 '000 KZT	2017 '000 KZT
Professional services	249,284	119,687
Other third party services	103,764	175,509
Operating lease expense	88,680	79,682
Business travel	56,082	17,987
Depreciation and amortisation	6,843	7,628
State duty	-	116,356
Other	49,882	67,263
	554,535	**584,112**

9 Income tax expense

	2018 '000 KZT	2017 '000 KZT
Current year tax expense	4,614,576	661,844
Current tax 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	(2,617,878)	274,520
Total income tax expense	**1,996,698**	**1,026,414**

In 2018, the applicable tax rate for current and deferred tax is 20% (2017: 20%).

9 Income tax expense, continued

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

	2018 '000 KZT	%	2017 '000 KZT	%
Profit before income tax	**5,671,665**	**100**	**3,967,355**	**100**
Income tax at the applicable tax rate	1,134,334	20	793,471	20
Restructuring of private equity funds*	(2,358,532)	(42)	-	-
Non-taxable income on securities	(567,263)	(10)	(444,574)	(11)
Income from offshore entities	58,932	1	34,000	1
Other non-deductible expenses	781,941	14	203,294	5
Non-deductible impairment losses	2,763,327	48	34,945	1
Non-deductible expenses from revaluation of financial instruments at fair value through profit or loss	183,959	4	315,228	8
Current tax underprovided in prior years	-	-	90,050	2
	1,996,698	**35**	**1,026,414**	**26**

(a) Deferred tax assets and liabilities

*During 2018, the Group has restructured the private equity funds and foreign subsidiaries in order to optimize the tax burden and performed the necessary arrangements to transfer the Group's assets to a special purpose vehicle (SPV) Kazyna Seriktes B.V. (see Note 1). The Company decreased its taxable profit and deferred tax liability on financial assets at fair value through profit or loss by KZT 2,358,532 thousand due to transfer of assets.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax liabilities as at 31 December 2018 and 2017.

Movements in temporary differences during the years ended 31 December 2018 and 2017 are presented as follows:

'000 KZT	Balance at 1 January 2018	Recognised in profit or loss	Balance at 31 December 2018
Property, plant and equipment and intangible assets	(133)	(579)	(712)
Financial assets at fair value through profit or loss	(2,339,764)	2,339,101	(663)
Financial liabilities at fair value through profit or loss	1,606,849	268,578	1,875,427
Other liabilities	12,881	10,777	23,658
	(720,167)	2,617,877	1,897,710

9 Income tax expense, continued

(a) Deferred tax assets and liabilities, continued

'000 KZT	Balance at 1 January 2017	Recognised in profit or loss	Balance at 31 December 2017
Property, plant and 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
	(445,647)	**(274,520)**	**(720,167)**

10 Net foreign exchange gain/(loss)

	2018 '000 KZT	2017 '000 KZT
Unrealised foreign exchange gain/ (loss)	10,154,683	(109,895)
Realised foreign exchange loss	(31,178)	(30,862)
	10,123,505	**(140,757)**

11 Impairment losses on debt financial assets

Impairment losses on debt financial assets comprise impairment losses on amounts due from credit institutions amounting to KZT 13,816,636 thousand (2017: KZT 174,726 thousand).

12 Cash and cash equivalents

	2018 '000 KZT	2017 '000 KZT
Current accounts with other banks		
- rated from BBB- to BBB+	5,522,384	-
- rated from BB- to BB+	62,459	7,123,940
- rated from B- to B+	1,041	332,126
- not rated (Citibank Kazakhstan JSC)	1,086,385	1,608,408
	6,672,269	**9,064,474**

Disclosed ratings are based on the rating scale of Standard and Poor's or their equivalents. None of cash and cash equivalents are impaired or past due.

13 Amounts due from credit institutions

	2018 '000 KZT	2017 '000 KZT
- rated from BBB- to BBB+	11,537,678	-
- rated from BB- to BB+	7,093,452	455,881
- rated from B- to B+	7,146,430	6,798,920
- rated D	9,110,622	7,880,617
-not rated	-	664,242
Total amounts due from credit institutions	**34,888,182**	**15,799,660**
Loss allowance for expected credit losses	(9,817,757)	(8,544,859)
Amounts due from credit institutions net of impairment allowance	**25,070,425**	**7,254,801**

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

Movement in loss allowance for expected credit losses

The following tables show reconciliations from the opening to the closing balances of the loss allowance for expected credit losses by amounts due from credit institutions. Comparative amounts for 2017 reflect measurement basis under IAS 39.

	For the year ended 31 December 2018			For the year ended 31 December 2018
	12-month expected credit losses (ECL)	Lifetime ECL for credit-impaired assets	Total '000 KZT	'000 KZT
Balance at the beginning of the reporting period	-	8,544,859	8,544,859	8,616,536
Effect of adopting IFRS 9*	109,713	(664,242)	(554,529)	-
Transfer from Stage 1 to Stage 3	(452,484)	452,484	-	-
Net remeasurement of loss allowance	490,568	13,326,068	13,816,636	-
Foreign exchange difference	-	1,422,734	1,422,734	(71,677)
Financial assets that have been derecognised	-	(13,411,943)	(13,411,943)	-
Balance at the end of the reporting period	**147,797**	**9,669,960**	**9,817,757**	**8,544,859**

* As at 31 December 2017 the Group had a bank deposit of KZT 664,242 thousand which was fully impaired. As at 1 January 2018 this financial asset is mandatorily classified as measured at fair value through profit or loss in accordance with IFRS 9, as it does not meet SPPI criterion. As a result, impairment allowance earlier recognised under IAS 39 in the amount of KZT 664,242 thousand was written off on the date of transition to IFRS 9.

As at 31 December 2018 the Group considers the amounts due from Kazinvestbank JSC for the total amount of KZT 4,886,343 thousand and from Delta Bank JSC for the total amount of KZT 4,224,279 thousand as fully impaired (as at 31 December 2017: KZT 4,226,649 thousand and KZT 3,653,968 thousand, responsively), 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 27 November 2018, Tsesnabank JSC had an amount due to the Group of KZT 15,331,812 thousand. In November 2018, due to deterioration of the financial position of the bank, a part of the amount due of KZT 14,538,212 thousand was restructured in accordance with the terms of the Framework Agreement. As part of this restructuring, the amounts due to the Group were substituted for the bonds issued by Tsesnabank JSC. These bonds mature in fifteen years with payment of coupon interest of 0.1% per annum and are accounted for by the Group as the assets credit-impaired on initial recognition, measured at amortised cost, included in investment financial assets (Note 16). Fair value of these assets on initial recognition amounted to KZT 1,282,176 thousand and was calculated using a discount rate of 18% per annum.

During 2018 the Group recognised an impairment loss of KZT 13,558,306 thousand on the amounts due from Tsesnabank JSC, in profit and loss. Claims of KZT 799,055 thousand on the current account with Tsesnabank JSC were not restructured. Carrying amount of the not restructured balances, less loss allowance for expected credit losses, amounted to KZT 239,717 thousand as at 31 December 2018.

14 Financial instruments at fair value through profit or loss

	2018 '000 KZT	2017 '000 KZT
ASSETS		
Unquoted shares in investment funds		
AstanaGas KMG JSC (Portfolio company of Baiterek Venture Fund JSC)	40,150,121	-
CITIC-KAZYNA Investment L.P.	15,954,198	17,287,231
Kazakhstan Infrastructure Fund C.V. (including portfolio company of Baiterek Venture Fund JSC)	14,455,942	13,420,496
Kazakhstan Growth Fund L.P.	12,071,080	10,724,855
MRIF CASP C.V. (including portfolio company of Baiterek Venture Fund JSC)	6,862,993	5,827,804
ADM KCRF L.P.	5,509,596	4,407,932
AITAS LUX S.A.R.L (Portfolio company of Baiterek Venture Fund JSC)	3,457,800	2,990,970
Wolfenson Capital Partners L.P.	1,689,024	2,166,248
Group of companies Allur JSC (Portfolio company of Baiterek Venture Fund JSC)	1,552,644	801,721
Kazyna Investment Holding Cooperatief U.A.	921,667	590,291
CAEPCO JSC (Portfolio company of Baiterek Venture Fund JSC)	759,159	2,531,206
Islamic Infrastructure Fund Limited Partnership	581,665	615,028
DBK Equity Fund	278,061	-
BV Management LLC	139,053	-
Mining Chemical Company LLC (Portfolio company of Baiterek Venture Fund JSC)	108,006	168,119
Almex-Baiterek Fund LLC	16,930	127,892
Aureos Central Asia Fund LLC	8,194	309,232
Sachiko-Olzha Products LLC (Portfolio company of Baiterek Venture Fund JSC)	-	450,101
Nurzhol Energy LLC	-	61,737
	104,516,133	**62,480,863**
Debt instruments:		
AOM Metal B.V. (portfolio company of Baiterek Venture Fund JSC)	2,671,563	-
ARP Company (Portfolio company of Baiterek Venture Fund JSC)	-	3,723,791
	2,671,563	**3,723,791**
	107,187,696	**66,204,654**
LIABILITIES		
Derivative financial instruments	9,869,170	8,026,656
	9,869,170	**8,026,656**

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

	2018 '000 KZT	2017 '000 KZT
CITIC-KAZYNA Investment L.P.	3,537,479	810,239
Wolfenson Capital Partners L.P.	87,189	416,321
CAEPCO JSC (Portfolio company of Baiterek Venture Fund JSC)	30,825	-
Kazakhstan Growth Fund L.P.	26,396	70,148
Baiterek Venture Fund JSC	-	273,593
ADM KCRF L.P.	-	37,487
Islamic Infrastructure Fund Limited Partnership	-	4,015
Kyrgyz-Kazakh Investment Fund JSC	-	1,794
	3,681,889	**1,613,597**

14 Financial instruments at fair value through profit or loss, continued

Investment in Kazakhstan Infrastructure Fund C.V.

In February 2017, to appoint new general partner to в 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 LPA, the amount of liabilities related to investment in KIF was allocated between the partners as follows:

- Kazyna Capital Management JSC (USD 100 mln) - the 95.24% ownership interest;
- VERNO PE EURASIA GP (USD 5 mln) –the 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 regard 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 2018 and 31 December 2017.

Investment in AstanaGas KMG JSC

In October 2018, the Group acquired 50% of voting shares of AstanaGas KMG JSC for the amount of KZT 121 thousand and made additional contribution to charter capital at 30 October 2018 of KZT 40,150,000 thousand. AstanaGas KMG JSC was established to implement the project of gasification of the city of Astana and northern regions of the Republic of Kazakhstan as well as implement other programmes for the development of gas industry. This entity is considered to be an associate because the Group's management believes that the Company has significant influence in it.

The Group financed the acquisition by issuing 40,150,000 bonds with par value of KZT 1,000 per bond, which mature on demand and have a coupon interest of 0.01% per annum. According to the agreement concluded with the seller of the shares, the Group has a 'put' option enabling the Group to sell its share in equity investment in the amount of KZT 40,150,000 thousand, with a yield of 0.01% per annum upon expiry of 15 years and, if demanded so by holders of the bonds issued by the Group, buy back issued bonds.

14 Financial instruments at fair value through profit or loss, continued

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 2018, the fair value of this swap is KZT 9,869,170 thousand (31 December 2017: KZT 8,026,656 thousand (liability)).

To determine the fair value of this swap, management used 10.96%-12.46% for KZT leg (2017: 9.15%-12.96% for KZT leg) and 2.57%-2.62% for USD leg (2017: 1.58%-2.31% 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.
To the extent that the difference between KZT and USD rates increase by 1%, a fair value of a derivative financial instrument would be KZT 161,726 thousand lower (increase in liabilities).

15 Investment financial assets

	31 December 2018 '000 KZT
Investment debt instruments measured at fair value through other comprehensive income	
- Government bonds	
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	13,686,864
Total Government bonds	**13,686,864**
- Corporate bonds	
- rated from BB- to BB+	3,279,050
Total corporate bonds	**3,279,050**
- Corporate bonds of banks	
- rated BB- to BB+	26,393,222
Total corporate bonds of banks	**26,393,222**
- Corporate bonds of credit institutions other than banks	
- rated from BBB- to BBB+	278,366
- rated from B- to B+	990,996
Total Government bonds, corporate bonds of credit institutions other than banks	**1,269,362**
Total investment debt instruments measured at fair value through other comprehensive income	**44,628,498**
Investment financial assets measured at amortised cost (POCI-assets)	
Bonds of Tsesnabank JSC	1,283,502
Total bonds	**1,283,502**
Total investment assets	**45,912,000**

15 Investment financial assets, continued

	31 December 2017 '000 KZT
Available-for-sale financial instruments	
- Government bonds	
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	9,998,549
Total Government bonds	**9,998,549**
- Corporate bonds	
- rated from BBB- to BBB+	27,329,930
- rated from B- to B+	1,973,168
Total corporate bonds	**29,303,098**
- Corporate bonds of banks	
- rated from BBB- to BBB+	2,315,028
- rated from BB- to BB+	18,156,726
- rated from B- to B+	412,113
Total corporate bonds of banks	**20,883,867**
- Corporate bonds of credit institutions other than banks	
- rated from BBB- to BBB+	263,099
Total corporate bonds of credit institutions other than banks	**263,099**
	60,448,613

16 Debt securities issued

As at 31 December 2018, debt securities issued in the amount of KZT 40,150,000 thousand comprise unquoted bonds with maturity upon demand and coupon interest of 0.01% per annum. Total maturity of bonds is 15 years (Note 14). Proceeds from borrowing were directed for acquisition of a 50% interest in AstanaGas KMG JSC.

17 Share capital and reserves

(a) Issued capital

	Ordinary shares			
	Number of shares		Cost, KZT'000	
	2018	2017	2018	2017
In issue at 1 January	53,550,000	53,550,000	87,440,000	87,440,000
In issue at 31 December, fully paid	**53,550,000**	**53,550,000**	**87,440,000**	**87,440,000**

As at 31 December 2018, authorised share capital comprised 55,000,000 ordinary shares (31 December 2017: 55,000,000). The issued and paid share capital comprises 53,550,000 ordinary shares (2017: 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) 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 49,912,567 thousand (31 December 2017: KZT 47,368,354 thousand).

During 2018, the Group declared and paid dividends for 2017 financial year in the amount of KZT 882,282 thousand (KZT 16.00 per an ordinary share) (2017: KZT 1,500,000 thousand at KZT 28.00 per an ordinary share).

18 Financial instrument 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.

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 President 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.

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2018 and 31 December 2017.

Average effective interest rates

These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2018 Average effective interest rate, %			2017 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	-	-	-	9.7	-	-
Amounts due from credit institutions	8.25	1.75	-	8.3	3.0	-
Financial instruments at fair value through profit or loss						
- debt instruments	12.0	-	-	14.6	-	-
Investment financial assets	4.0	5.7	-	8.0	4.0	-

18 Financial risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

An analysis of sensitivity of net profit or loss and equity as a result of changes in the fair value of investment financial assets due to changes in the interest rates based on positions existing as at 31 December 2018 and 2017 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2018		2017	
	Profit or loss '000 KZT	Equity '000 KZT	Profit or loss '000 KZT	Equity '000 KZT
100 bp parallel fall	-	1,690,703	-	2,238,605
100 bp parallel rise	-	(1,467,729)	-	(2,238,605)

(ii) Foreign 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 2018:

	USD '000 KZT	Tenge '000 KZT	Total '000 KZT
ASSETS			
Cash and cash equivalents	89,253	6,583,016	6,672,269
Amounts due from credit institutions	17,787,428	7,282,997	25,070,425
Investment financial assets	43,359,137	2,552,863	45,912,000
Other financial assets	-	38,782	38,782
Total financial assets	**61,235,818**	**16,457,658**	**77,693,476**
LIABILITIES			
Other financial liabilities	-	(224,619)	(224,619)
Total financial liabilities	**-**	**(224,619)**	**(224,619)**
Net position	**61,235,818**	**16,233,039**	**77,468,857**
Derivative financial instruments	(19,210,000)	9,340,830	(9,869,170)
Net position after derivative financial instruments	**42,025,818**	**25,573,869**	**67,599,687**

18 Financial instrument risk management, continued

(b) Market risk, continued

(ii) Foreign currency risk, continued

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

	USD '000 KZT	Tenge '000 KZT	Total '000 KZT
ASSETS			
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
Total financial assets	**70,099,622**	**6,779,399**	**76,879,021**
LIABILITIES			
Other financial liabilities	-	(197,920)	(197,920)
Total financial liabilities	**-**	**(197,920)**	**(197,920)**
Net position	**70,099,622**	**6,581,479**	**76,681,101**
Derivative financial instruments	(16,616,500)	8,589,844	(8,026,656)
Net position after derivative financial instruments	**53,483,122**	**15,171,323**	**68,654,445**

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.

	2018 '000 KZT	2017 '000 KZT
20% appreciation of USD against KZT	6,724,131	8,557,300

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 risks

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.

18 Financial instrument risk management, continued

(c) Other price risks, 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. As at 31 December 2018 these reports on performance of the private equity funds management for the 3rd quarter of 2018 are accessible for the Group.

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 10,718,770 thousand for the year ended 31 December 2018 (2017: KZT 4,998,469 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:

	2018г. '000 KZT	2017 '000 KZT
ASSETS		
Cash and cash equivalents	6,672,269	9,064,474
Amounts due from credit institutions	25,070,425	7,254,801
Financial instruments measured at FVTPL:		
- debt instruments	2,671,563	3,723,791
Investment financial assets	45,912,000	60,448,613
Other financial assets	38,782	111,133
Total maximum exposure	**80,365,039**	**80,602,812**

18 Financial instrument risk management, continued

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the 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.

The Company is invested in private equity funds that are not traded in an active market and are therefore considered illiquid. On the basis of the Company's commitments, the private equity funds are able to call on such commitments from the Company with a notice period on average being 10 days.

The amount of these calls may exceed the available cash and cash equivalents at any point in time.

The following tables show the maturity profile of the Group's financial liabilities as at 31 December 2018 based on contractual undiscounted payments:

'000 KZT	Demand and less than 1 month	From 1 to 5 years	Total gross amount (outflow)	Carrying amount
Non-derivative liabilities				
Debt securities issued	(40,150,736)	-	(40,150,736)	(40,150,736)
Other financial liabilities	(224,619)	-	(224,619)	(224,619)
Derivative liabilities				
Net settled derivatives	-	(9,869,170)	(9,869,170)	(9,869,170)
Total liabilities	**(40,375,355)**	**(9,869,170)**	**(50,244,525)**	**(50,244,525)**
Investment related commitments	**(59,098,755)**	**-**	**(59,098,755)**	**-**

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 1 month	From 1 to 5 years	Total gross amount (outflow)	Carrying amount
Non-derivative liabilities				
Other financial liabilities	(197,920)	-	(197,920)	(197,920)
Derivative liabilities				
Net settled derivatives	-	(8,026,656)	(8,026,656)	(8,026,656)
Total liabilities	**(197,920)**	**(8,026,656)**	**(8,224,576)**	**(8,224,576)**
Investment related commitments	**(64,099,328)**	**-**	**(64,099,328)**	**-**

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.

18 Financial instrument 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 2018:

'000 KZT	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	No maturity	Total inflow (outflow)
Non-derivative assets							
Cash and cash equivalents	6,672,269	-	-	-	-	-	6,672,269
Amounts due from credit institutions	11,658,576	7,043,282	6,368,567	-	-	-	25,070,425
Financial instruments at FVPL:							
- equity instruments	-	-	-	-	-	104,516,133	104,516,133
- debt instruments	-	-	-	-	-	2,671,563	2,671,563
Investment financial assets	278,366	798,120	28,291	26,541,503	18,265,720	-	45,912,000
Other financial assets	-	-	-	-	38,782	-	38,782
Total assets	**18,609,211**	**7,841,402**	**6,396,858**	**26,541,503**	**18,304,502**	**107,187,696**	**184,881,172**
Non-derivative financial liabilities							
Debt securities issued	(40,150,736)	-	-	-	-	-	(40,150,736)
Other financial liabilities	(224,619)	-	-	-	-	-	(224,619)
Derivative liabilities							
Net settled derivatives	-	-	-	(9,869,170)	-	-	(9,869,170)
Total liabilities	**(40,375,355)**	**-**	**-**	**(9,869,170)**	**-**	**-**	**(50,244,525)**
Net liquidity gap on recognised financial assets and liabilities	**(21,766,144)**	**7,841,402**	**6,396,858**	**16,672,333**	**18,304,502**	**107,187,696**	**134,636,647**
Investment related commitments	**(3,942,046)**	**-**	**(429,260)**	**(31,674,310)**	**(23,053,139)**	**-**	**(59,098,755)**

18 Financial instrument 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:

'000 KZT	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)
Non-derivative assets								
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 FVPL:								
- 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
Total assets	**10,152,540**	**68,771**	**568,579**	**16,615,861**	**23,757,690**	**29,439,371**	**62,480,863**	**143,083,675**
Non-derivative financial liabilities								
Other financial liabilities	(98,021)	-	-	-	-	-	(99,899)	(197,920)
Derivative liabilities								
Net settled derivatives	-	-	-	-	(8,026,656)	-	-	(8,026,656)
Total liabilities	**(98,021)**	**-**	**-**	**-**	**(8,026,656)**	**-**	**(99,899)**	**(8,224,576)**
Net liquidity gap on recognised financial assets and liabilities	**10,054,519**	**68,771**	**568,579**	**16,615,861**	**15,731,034**	**29,439,371**	**62,380,964**	**134,859,099**
Investment related commitments	-	-	-	(554,099)	(31,855,123)	(31,690,106)	-	(64,099,328)

19 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.

20 Investment related commitments

The Group makes commitments to private equity funds in its portfolio. The Group diversifies it 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:

	2018 '000 KZT	2017 '000 KZT
Contracted amount		
Kazakhstan Infrastructure Fund C.V.	22,302,152	22,624,403
Falah Growth Fund LP	15,267,180	13,285,499
CITIC-Kazyna Investment Fund LP	13,079,212	11,730,044
Russian and Kazakh Fund of Nanotechnologies	2,976,381	2,785,720
Macquarie Renaissance Infrastructure Fund	1,757,968	1,520,629
Wolfenson Capital Partners LP	1,747,438	1,545,671
DBK Equity Fund C.V.	750,987	-
Islamic Infrastructure Fund Limited Partnership	429,260	416,159
ADM Kazakhstan Capital Restructuring Fund CV	351,831	461,070
Kazakhstan Growth Fund	351,536	571,402
Aureos Central Asia Fund LLC	84,810	93,028
Almex Baiterek Fund LLC	-	9,065,703
	59,098,755	**64,094,328**

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 2018 and 2017 the Group had no overdue investment commitments.

21 Operating leases

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

	2018 '000 KZT	2017 '000 KZT
Less than 1 year	88,680	79,682

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.

22 Credit related commitments

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's 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 the Group's operations and financial position.

(b) Taxation contingencies

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 substantially 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.

23 Related party transactions

(a) Control relationship

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:

	2018г. '000 KZT	2017 '000 KZT
Short term employee benefits	127,287	164,448

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

23 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 effective interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the year ended 31 December 2018 with other related parties are as follows:

	Other subsidiaries of the Parent Company		Entities controlled by the Government of the Republic of Kazakhstan		Total
	'000 KZT	Average effective interest rate	'000 KZT	Average effective interest rate	'000 KZT
Consolidated statement of financial position as at 31 December 2018					
Assets					
Investment financial assets	11,126,100	6.2	59,795,848	9.1	70,921,948
Liabilities					
Derivative financial instruments	(9,869,170)	-	-	-	(9,869,170)
Debt securities issued	-	-	(40,150,736)	1.0	(40,150,736)
Other liabilities	(114,340)	-	(109,359)	6.6	(223,699)
Consolidated statement of profit or loss and other comprehensive income					
Interest income	482,638	-	1,698,006	-	2,180,644
Interest expense	-		(7,359)		(7,359)
Net gain on financial derivatives	(1,149,087)	-	(2,021)	-	(1,151,108)
Net foreign exchange gain	1,669,838	-	3,926,039		5,595,877
General and administrative expenses	(59,561)	-	-	-	(59,561)

23 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average effective 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:

	Other subsidiaries of the Parent Company		Entities controlled by the Government of the Republic of Kazakhstan		Total
	'000 KZT	Average effective interest rate	'000 KZT	Average effective interest rate	'000 KZT
Consolidated Statement of Financial Position as at 31 December2017					
Assets					
Investment financial assets	2,578,127	6.8	37,328,479	6.0	39,906,606
Liabilities					
Derivative financial instruments	(8,026,656)	-	-	-	(8,026,656)
Other liabilities	(99,899)	-	-	-	(99,899)
Consolidated statement of profit or loss and other comprehensive income					
Interest income	502,714	-	2,196,809	-	2,699,523
Net gain on financial derivatives	2,583,706	-	-	-	2,583,706
Net foreign exchange loss	54,433	-	242,715	-	297,148

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

Transactions with government-related entities

The Group transacts with a number of entities that are controlled by the Government of Kazakhstan. The Group applies the exemption in IAS 24 *Related party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities.

24 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.

24 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 2018:

'000 KZT	Financial instruments measured at FVTPL	Financial asset measured at amortised cost	Financial assets measured at FVOCI	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
31 December 2018						
Financial assets measured at fair value						
Debt securities	2,671,563	1,283,502	44,628,498	-	48,583,563	48,583,563
Equity securities	104,516,133	-	-	-	104,516,133	104,516,133
	107,187,696	**1,283,502**	**44,628,498**	-	**153,099,696**	**153,099,696**
Financial assets not measured at fair value						
Cash and cash equivalents	-	6,672,269	-	-	6,672,269	6,672,269
Amounts due from credit institutions	-	25,070,425	-	-	25,070,425	25,070,425
Other financial assets	-	38,782	-	-	38,782	38,782
	-	**31,781,476**	-	-	**31,781,476**	**31,781,476**
Financial liabilities measured at fair value						
Cross currency and interest rate swap	9,869,170	-	-	-	9,869,170	9,869,170
	9,869,170	-	-	-	**9,869,170**	**9,869,170**
Financial liabilities not measured at fair value						
Debt securities issued	-	-	-	40,150,736	40,150,736	40,150,736
Other liabilities	-	-	-	224,619	224,619	224,619
	-	-	-	**40,375,355**	**40,375,355**	**40,375,355**

24 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 2017:

'000 KZT	Financial instruments measured at FVTPL	Loans and receivables	Available-for-sale	Other at amortised cost	Total carrying amount	Fair value
31 December 2017						
Financial assets measured at fair value						
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
	66,204,654	**-**	**60,448,613**	**-**	**126,653,267**	**126,653,267**
Financial assets not measured at fair value						
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
	-	**16,360,902**	**69,506**	**-**	**16,430,408**	**16,430,408**
Financial liabilities measured at fair value						
Cross currency and interest rate swap	8,026,656	-	-	-	8,026,656	8,026,656
	8,026,656	**-**	**-**	**-**	**8,026,656**	**8,026,656**
Financial liabilities not measured at fair value						
Other liabilities	-	-	-	197,920	197,920	197,920
	-	**-**	**-**	**197,920**	**197,920**	**197,920**

24 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 2018, 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 FVTPL				
-Equity instruments	-	-	104,516,133	104,516,133
-Debt instruments	-	-	2,671,563	2,671,563
- Derivative liabilities	-	(9,869,170)	-	(9,869,170)
Available-for-sale financial assets				
- Debt instruments	43,637,502	990,996	-	44,628,498
	43,637,502	**(8,878,174)**	**107,187,696**	**141,947,024**

24 Fair values of financial instruments, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value 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 FVPL				
-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
	55,461,134	**(3,039,177)**	**66,204,654**	**118,626,611**

The following table shows a reconciliation for the year ended 31 December 2018 for fair value measurements in Level 3 of the fair value hierarchy:

'000 KZT	Equity and debt securities
Balance at the beginning of the year	66,204,654
Net gains or losses in profit or loss	4,032,816
Purchases	54,515,031
Sales	(17,564,805)
Balance at the end of the year	**107,187,696**

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 securities
Balance at the beginning of the year	61,591,729
Net gains or losses in profit or loss	951,013
Purchases	6,281,790
Sales	(2,619,878)
Balance at the end of the year	**66,204,654**

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 2018 and 31 December 2017. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the 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.

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

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

The 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 2018, 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 approach	Significant unobservable input	Reasonable shift	Property management and construction materials
Power engineering	14,236,992	Black-Scholes option pricing models	Volatility rate	+/- 5%	711,850
	511,839	Black-Scholes option pricing models	Volatility rate	+/- 5%	25,592
	139,695	Black-Scholes option pricing models	Volatility rate	+/- 5%	6,985
	110,557	Income approach	Discounted cash flows	+/- 5%	5,528
Alternative power engineering	5,175,547	Comparative approach	EBITDA/(multiplier)	+/- 5%	258,777
	74,289	Cost approach	Historical costs	+/- 5%	3,714
	27,867	Cost approach	Historical costs	+/- 5%	1,393

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
	40,150,121	Adjusted net assets value approach	Value of net assets	+/- 5%	2,007,506
	3,526,047	Income approach	Discounted cash flows	+/- 1%	176,302
Transport and logistics	3,321,355	Cost approach	Adjustment to NAV	+/- 5%	166,068
	2,993,324	Cost approach	Adjustment to NAV	+/- 5%	149,666
	2,976,233	Cost approach	Historical costs	+/- 5%	148,812
Real estate	1,770,939	Cost approach	Adjustment to NAV	+/- 5%	88,547
	3,832,991	Income approach	Discounted cash flows	+/- 1%	261,650
Processing industry	1,463,483	Cost approach	Adjustment to NAV	+/- 5%	73,174
	1,038,377	Cost approach	Adjustment to NAV	+/- 5%	51,919
	95.730	Cost approach	Adjustment to NAV	+/- 5%	4,787

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
Natural resources	1,083,444	Cost approach	Historical costs	+/- 5%	54,172
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
	1,087,304	Cost approach	Adjustment to NAV	+/- 5%	54,365
Medical diagnostics	830,338	Cost approach	Adjustment to NAV	+/- 5%	41,517
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
	647,340	Cost approach	Adjustment to NAV	+/- 5%	32,367
Agriculture	3,457,800	Cost approach	Historical costs	+/- 5%	172,890
	1,425,372	Cost approach	Historical costs	+/- 5%	71,269
Electrical industry	1,564,437	Income approach	Discounted cash flows	+/- 5%	78,222
	107,387	Income approach	Discounted cash flows	+/- 5%	5,369

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
Telecommunication services	1,079,145	Income approach	Discounted cash flows	+/- 5%	53,957
	295,538	Income approach	Discounted cash flows	+/- 5%	14,777
Financial services	1,126,091	Cost approach	EBITDA/(multiplier)	+/- 5%	56,305
	303,995	Comparative approach	Stock-exchange quotation	+/- 5%	15,200
	247,423	Cost approach	Historical costs	+/- 5%	12,371
	211,215	Comparative approach	Stock-exchange quotation	+/- 5%	10,561
Entertainment	2,987,616	Comparative approach	EBITDA/(multiplier)	+/- 5%	149,381
	749,695	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,485
	288,616	Income approach	Discounted cash flows	+/- 5%	14,431
Other	6,514,910	-	-	+/- 5%	
Total	**107,187,696**	-	-		

24 Fair value 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 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 approach	Significant unobservable input	Reasonable shift	Property management and construction materials
	13,426,477	Cost approach	Adjustment to NAV	+/- 5%	671,324
Power engineering	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
	5,192,332	Cost approach	Adjustment to NAV	+/- 5%	259,617
Alternative power engineering	66,276	Cost approach	Adjustment to NAV	+/- 5%	3,314
	55,090	Income approach	Discounted cash flows	+/- 5%	2,755

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
	2,888,487	Income approach	Discounted cash flows	+/- 5%	144,424
	2,587,057	Cost approach	Adjustment to NAV	+/- 5%	129,353
Transportation and logistics services	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 cash flows	+/- 5%	13,770
	3,723,791	Income approach	Discounted cash flows	+/- 5%	186,190
	3,614,007	Income approach	Discounted cash flows	+/- 5%	180,700
Processing industry	898,188	Cost approach	Adjustment to NAV	+/- 5%	44,909
	450,101	Income approach	Discounted cash flows	+/- 5%	22,505
	168,119	Cost approach	Adjustment to NAV	+/- 5%	8,406

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
Natural resources	3,413,610	Income approach	Discounted cash flows	+/- 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
Agriculture	2,990,970	Cost approach	Adjustment to NAV	+/- 5%	149,549
	1,574,794	Cost approach	Adjustment to NAV	+/- 5%	78,740
Property management and construction materials	149,556	Cost approach	Adjustment to NAV	+/- 5%	7,478
Electrical 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

24 Fair value of financial instruments, continued

(b) Fair value hierarchy, continued

Industry in which company operates	Fair value of Group's share	Valuation approach	Significant unobservable input	Reasonable shift	Property management and construction materials
	1,814,089	Comparative approach	EBITDA/(multiplier)	+/- 5%	90,704
Entertainment	740,265	Comparative approach	EBITDA/(multiplier)	+/- 5%	37,013
	306,345	Comparative approach	EBITDA/(multiplier)	+/- 5%	15,317
Telecommunication services	1,956,392	Cost approach	Adjustment to NAV	+/- 5%	97,820
	251,020	Cost approach	Adjustment to NAV	+/- 5%	12,551
Technology	61,736	Comparative approach	EBITDA/(multiplier)	+/- 5%	3,087
Other	6,628,348	-	-	-	-
Total	**66,204,654**				

24 Fair value 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 2018.

'000 KZT	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	6,672,269	6,672,269	6,672,269
Amounts due from credit institutions	25,070,425	25,070,425	25,070,425
Investment financial assets	1,283,502	1,283,502	1,283,502
Other financial assets	38,782	38,782	38,782
Debt securities issued	(40,150,736)	(40,150,736)	(40,150,736)
Other financial liabilities	(224,619)	(224,619)	(224,619)

The following table analyses the fair value of financial instruments 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
Assets			
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
Other financial liabilities	(197,020)	(197,020)	(197,020)