Baiterek National Managing Holding Joint Stock Company

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

31 December 2019

CONTENTS

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан A25D6T5 Алматы,
Достық д-лы 180,
Тел./факс 8 (727) 298-08-98

KPMG Audit LLC
A25D6T5 Almaty, Kazakhstan
180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Baiterek National Managing Holding Joint Stock Company and its subsidiaries (the "Holding"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Holding as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Holding in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Government Grants	
Please refer to the Notes 3 (Government grants), 18, 20, 22 and 29 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
During 2019 the Holding obtained financing from Government via issue of unsecured coupon bonds with total nominal value of Tenge 25,751,078 thousand with a coupon rate of 0.15% p.a. and loans in the amount of Tenge 147,046,000 thousand with interest rates ranging from 0.01% p.a. to 0.10% p.a. At initial recognition these debt securities issued and loans received were recognised at fair values measured by applying estimates of relevant market interest rates to discount the contractual future cash flows. The difference of Tenge 119,491,815 thousand between the fair value and the nominal value of debt securities issued and loans received was recognised as a government grant, which is subsequently recognised in profit or loss upon fulfilment of conditions attached to respective financing. The estimate of the fair value of the debt securities issued and the loans received requires management to exercise significant judgement. Accounting judgements are also required in determining the presentation and classification of the difference between the nominal value and fair value of debt securities issued and loans received.	Our audit procedures included assessing, based on the overall substance of the transaction, whether the difference between consideration received and the fair value of the debt securities issued and loan received represents a government grant. We assessed the reasonableness of management's estimates of market rates applied to calculate fair values of the debt securities issued and loans received at below-market rates and compared them to available market information. We assessed the appropriateness of methods used to amortise government grants. We also assessed whether the consolidated financial statement disclosures appropriately reflect the information in relation to government grants recognised in the consolidated financial statements.

Expected credit losses for loans to customers	
Please refer to the Notes 3 (Impairment), 5 and 10 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans to customers measured at amortised cost represent 51% of total assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. Estimate of ECL allowance requires management to apply professional judgement and to make subjective assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9 *Financial Instruments*); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in stage 3. Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Holding's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risk management specialists. To analyse the adequacy of professional judgement and assumptions made by the Holding in relation to the allowance for the ECL estimate, we performed the following: - For a sample of loans to customers, for which a potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Holding by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Holding. - Regarding loans issued to customers and assigned to stages 1 and 2, we assessed models used as well as tested input data used in the models on a sample basis. - We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers included in relevant grades. - For a sample of stage 3 loans we assessed adequacy of ECL allowance by critically assessing assumptions used by the Holding to estimate cash flows receivable, including estimated proceeds from realisable collateral and their timing. We compared assumptions used by the Holding for these loans with industry, financial and economic data from available public sources. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Holding's exposure to credit risk.

Accounting for the acquired bonds of Fincraft Group LLP	
Please refer to the Notes 3 (Financial assets and financial liabilities), 11 and 18 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
During 2019 the Holding acquired the secured bonds of Fincraft Group LLP of the total value of Tenge 65,000,000 thousand at the coupon rate of 12.00-13.00% p.a. to implement the investment project for construction of affordable housing in the city of Almaty. These bonds are secured by 34% of shares of BTA Bank JSC, a land plot and other assets. The Holding's management believes the interest rates represent the market rates at the initial recognition based on the issuer's external rating. Management assessed whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding ("SPPI criterion") for these bonds and classified as "measured at amortised cost". We focused on the estimate of fair value of the purchased debt securities at initial recognition due to significant judgment involved arriving at the estimate, as well as on classification of the securities at amortised cost as these securities are limited by the cash flows from implementation of the project and sale of the respective collaterals.	We checked the supporting documents of purchased securities to confirm the intended use of the funds attracted as part of the government orders and programs. We analysed the key aspects of the methodology for calculation of the fair value of financial instruments used by the Holding. We assessed the reasonableness of management's estimates of market rates applied to calculate fair values of the debt securities purchased and compared them to available market information. We focused on estimate of compliance of the cash flows from the bonds to SPPI criterion, namely, on the estimate whether these bonds represent "non-recourse" assets arrangements. For this purpose we assessed the key assumptions used to calculate the fair value of collaterals and main assets of the issuer, with the involvement of the valuation experts. We also assessed whether the consolidated financial statements disclose appropriately the significant assumptions related to the measurement of fair value of the securities purchased and judgements related to their classification in the consolidated financial statements of the Holding.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Holding for 2019 but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Holding for 2019 is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

24 April 2020

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

(In thousands of Kazakhstani Tenge)	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	6	414,582,134	644,172,147
Other assets measured at fair value through profit or loss	7	129,090,348	130,751,305
Loans to banks and financial institutions	8	373,726,776	275,164,588
Deposits with banks and financial institutions	9	153,084,094	153,048,495
Loans to customers	10	2,746,486,738	2,399,432,616
Investment securities:	11		
- Investment securities owned by the Holding		735,428,240	601,672,133
- Investment securities pledged under guarantee and repurchase agreements		45,748,418	-
Finance lease receivables	12	357,267,765	275,255,229
Equity accounted investees		44,665	1,082,556
Investment property		6,143,053	6,630,998
Current income tax prepayment		16,956,072	18,974,333
Deferred income tax asset	32	4,689,447	3,844,215
Property, plant and equipment	13	17,208,804	15,206,946
Intangible assets		5,511,838	3,744,006
Non-current assets held for sale	14	21,873,725	38,318,211
Other financial assets	15	20,246,200	21,180,419
Other assets	16	165,958,878	130,368,213
TOTAL ASSETS		**5,214,047,195**	**4,718,846,410**
LIABILITIES			
Customer accounts	17	834,085,159	649,472,345
Debt securities issued	18	1,649,552,916	1,439,786,546
Subordinated debt		6,516,175	6,074,969
Loans from banks and other financial institutions	19	652,333,946	837,499,715
Loans from the Government of the Republic of Kazakhstan	20	283,784,376	208,831,317
Current income tax liability		1,047	356,912
Deferred income tax liability	32	26,181,150	19,366,974
Insurance contracts liabilities		9,963,449	4,699,589
Liabilities directly attributable to disposal groups held for sale		64,318	95,438
Other financial liabilities	21	26,983,155	47,468,591
Government grants	22	456,056,346	411,155,878
Other liabilities	23	41,388,099	32,857,442
TOTAL LIABILITIES		**3,986,910,136**	**3,657,665,716**
EQUITY			
Share capital	24	917,218,712	846,218,712
Securities fair value reserve		(7,224,576)	(12,280,740)
Foreign currency translation reserve		-	3,751,446
Business combination reserve and additional paid-in capital		160,093,819	133,682,001
Other reserves		14,007,062	7,964,010
Retained earnings		142,942,619	81,775,074
Net assets attributable to the Holding's owners		**1,227,037,636**	**1,061,110,503**
Non-controlling interests		**99,423**	**70,191**
TOTAL EQUITY		**1,227,137,059**	**1,061,180,694**
TOTAL LIABILITIES AND EQUITY		**5,214,047,195**	**4,718,846,410**

Approved for issue and signed by the Management on 24 April 2020.

Yersain Yerbulatovich Khamitov
Managing Director
Member of the Management Board

Kuralay Damirovna Yessengarayeva
Chief Accountant

The notes on pages 8-104 form an integral part of these consolidated financial statements.

(In thousands of Kazakhstani Tenge)	Note	2019	2018
Interest income calculated using the effective interest method	25	294,883,757	271,327,053
Other interest income	25	37,155,794	30,419,034
Interest expense	25	(175,137,177)	(155,415,945)
Net interest income	**25**	**156,902,374**	**146,330,142**
Provision for loan portfolio impairment	10	(19,449,740)	(5,349,243)
Net interest income less provision for loan portfolio impairment		**137,452,634**	**140,980,899**
Fee and commission income	26	9,114,861	6,116,458
Fee and commission expense	26	(12,123,484)	(4,490,844)
Net fee and commission income	**26**	**(3,008,623)**	**1,625,614**
Net (loss)/gain on assets measured at fair value through profit or loss	27	(4,901,825)	8,627,103
Net foreign exchange (loss)/gain	28	(1,501,167)	1,452,322
Net (loss)/gain on financial assets at fair value through other comprehensive income		(555,077)	222,146
Net loss resulted from derecognition of financial assets measured at amortised cost		(1,550,426)	-
Net insurance premiums earned		2,488,507	1,413,333
Net expense on insurance benefits and changes in insurance contract provisions		(4,960,718)	(1,162,108)
Other operating expense, net	29	(12,023,371)	(3,396)
Operating income		**111,439,934**	**153,155,913**
Reversal of/(provision for) impairment of other financial assets and credit related commitments	30	1,662,348	(54,858,530)
Administrative expenses	31	(49,679,995)	(45,879,121)
Share of financial result of equity accounted investees		(6,226)	(975)
Profit before income tax		**63,416,061**	**52,417,287**
Income tax expense	32	(11,905,993)	(17,699,302)
PROFIT FOR THE YEAR		**51,510,068**	**34,717,985**
Profit attributable to:			
- owners of the Holding		51,480,836	34,718,048
- non-controlling interest		29,232	(63)
Profit for the year		**51,510,068**	**34,717,985**
Basic and diluted earnings per share (Tenge)	24	58	41

(In thousands of Kazakhstani Tenge)	**Note**	**2019**	**2018**
PROFIT FOR THE YEAR		**51,510,068**	**34,717,985**
Other comprehensive income/(loss):			
Items that will never be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net change in fair value		(14)	17,869
Items that may be reclassified subsequently to profit or loss:			
Securities fair value reserve:			
- Net change in fair value		5,125,809	(4,025,339)
- Net change in fair value transferred to profit or loss		(69,631)	(94,997)
Foreign currency exchange differences on translation to presentation currency		-	(28,989)
Other comprehensive income/(loss) for the year		**5,056,164**	**(4,131,456)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**56,566,232**	**30,586,529**
Total comprehensive income attributable to:			
- owners of the Holding		56,537,000	30,586,592
- non-controlling interests		29,232	(63)
Total comprehensive income for the year		**56,566,232**	**30,586,529**

	Attributable to owners of the Holding								
(In thousands of Kazakhstani Tenge)	**Share capital**	**Securities fair value reserve**	**Foreign currency translation reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2019	**846,218,712**	**(12,280,740)**	**3,751,446**	**133,682,001**	**7,964,010**	**81,775,074**	**1,061,110,503**	**70,191**	**1,061,180,694**
Profit for the year	-	-	-	-	-	51,480,836	51,480,836	29,232	51,510,068
Other comprehensive income	-	5,056,164	-	-	-	-	5,056,164	-	5,056,164
Total comprehensive income for the year	**-**	**5,056,164**	**-**	**-**	**-**	**51,480,836**	**56,537,000**	**29,232**	**56,566,232**
Shares issue – cash contribution (Note 24)	71,000,000	-	-	-	-		71,000,000	-	71,000,000
Dividends declared (Note 24)	-	-	-	-	-	(1,485,163)	(1,485,163)	-	(1,485,163)
Recognition of the effect of substantial modification of terms of debt securities issued, net of tax effect of Tenge 3,944,261 thousand (Note 18)	-	-	-	-	-	15,777,044	15,777,044	-	15,777,044
Recognition of discount on loans from the Government of the Republic of Kazakhstan, net of tax effect of Tenge 6,602,954 thousand (Note 20)	-	-	-	26,411,818	-	-	26,411,818	-	26,411,818
Disposal of subsidiary of QazTech Ventures JSC - Alatau Technopark JSC (Note 14)	-	-	-	-	-	(2,313,566)	(2,313,566)	-	(2,313,566)
Accrual of reserve capital (Note 24)	-	-	-	-	6,043,052	(6,043,052)	-	-	-
Other movements	-	-	(3,751,446)	-		3,751,446	-	-	-
Balance at 31 December 2019	**917,218,712**	**(7,224,576)**	**-**	**160,093,819**	**14,007,062**	**142,942,619**	**1,227,037,636**	**99,423**	**1,227,137,059**

	Attributable to owners of the Holding								
(In thousands of Kazakhstani Tenge)	**Share capital**	**Securities fair value reserve**	**Foreign currency translation reserve**	**Business combination reserve and additional paid-in capital**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	**846,218,712**	**(8,178,273)**	**3,780,435**	**108,407,533**	**7,169,251**	**47,851,785**	**1,005,249,443**	**691,813**	**1,005,941,256**
Profit for the year	-	-	-	-	-	34,718,048	34,718,048	(63)	34,717,985
Other comprehensive loss	-	(4,102,467)	(28,989)	-	-	-	(4,131,456)	-	(4,131,456)
Total comprehensive income for the year	**-**	**(4,102,467)**	**(28,989)**	**-**	**-**	**34,718,048**	**30,586,592**	**(63)**	**30,586,529**
Change of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	(621,559)	(621,559)
Recognition of discount on loans from the Government, net of tax effect of Tenge 6,318,617 thousand (Note 20)	-	-	-	25,274,468	-	-	25,274,468	-	25,274,468
Accrual of reserve capital	-	-	-	-	794,759	(794,759)	-	-	-
Balance at 31 December 2018	**846,218,712**	**(12,280,740)**	**3,751,446**	**133,682,001**	**7,964,010**	**81,775,074**	**1,061,110,503**	**70,191**	**1,061,180,694**

(In thousands of Kazakhstani Tenge)	Note	2019	2018
Cash flows from operating activities			
Interest receipts		267,178,207	254,129,367
Interest payments		(123,913,657)	(119,537,910)
Fee and commission receipts		11,348,388	7,480,402
Fee and commission payments		(12,236,224)	(7,518,973)
Net gain from derivative financial instruments		1,887,776	2,035,512
Net foreign exchange (loss)/gain	28	(166,666)	2,252,136
Net insurance premiums written		1,902,942	929,285
Net insurance claims payments		(211,228)	(249,591)
Other operating income receipts		1,275,235	6,539,574
Dividends received		1,147,907	3,688,353
Administrative and other operating expenses paid		(50,236,128)	(42,922,460)
Income tax paid		(12,456,970)	(17,067,590)
Cash flows from operating activities before changes in operating assets and liabilities		**85,519,582**	**89,758,105**
Net (increase)/decrease in:			
- assets measured at fair value through profit or loss		3,695,316	20,402,745
- due from banks		(119,275,180)	24,156,151
- loans to customers		(365,416,040)	(274,129,621)
- finance lease receivables		21,602,200	17,658,647
- other financial assets		1,076,814	(820,245)
- other assets		(158,142,953)	(12,721,428)
Net (decrease)/increase in:			
- customer accounts		184,873,241	111,029,624
- other financial liabilities		(19,756,352)	3,291,205
- other liabilities		23,858,808	(11,784,377)
Net cash used in operating activities		**(341,964,564)**	**(33,159,194)**
Cash flows from investing activities			
Acquisition of investment securities		(805,803,335)	(397,226,691)
Proceeds from disposal and redemption of investment securities		627,033,140	349,381,044
Acquisition of property, plant and equipment and intangible assets		(5,034,046)	(3,571,535)
Proceeds from disposal of property, plant and equipment		663,061	500,073
Acquisition of investment property		-	(6,385,623)
Proceeds from disposal of subsidiary, net of cash disposed		-	200,000
Proceeds from disposal of associates and joint ventures		10,460	123,138
Net cash used in investing activities		**(183,130,720)**	**(56,979,594)**

(In thousands of Kazakhstani Tenge)	Note	2019	2018
Cash flows from financing activities			
Receipt of loans from banks and other financial institutions	19	113,576,195	159,589,632
Repayment of loans from banks and other financial institutions	19	(296,563,822)	(437,557,739)
Receipt of loans from the Government of the Republic of Kazakhstan	20	204,480,359	104,756,067
Repayment of loans from the Government of the Republic of Kazakhstan	20	(11,899,006)	(29,726,415)
Proceeds from issuance of ordinary shares	24	71,000,000	-
Proceeds from debt securities issued	18	215,023,475	293,820,715
Repayment/repurchase of debt securities issued	18	(4,734,890)	(39,167,030)
Net cash received from financing activities		**290,882,311**	**51,715,230**
Effect of changes in exchange rates on cash and cash equivalents		4,438,513	11,248,533
Effect of changes in impairment allowance		184,447	(751,094)
Net decrease in cash and cash equivalents		**(229,590,013)**	**(27,926,119)**
Cash and cash equivalents at the beginning of the year	6	644,172,147	672,098,266
Cash and cash equivalents at end of the year	6	**414,582,134**	**644,172,147**

1 Introduction

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

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

Principal activity

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

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

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

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

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

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

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

Name of subsidiary	Abbreviated name	Country of incorporation	Ownership, % 31 December 2019	Ownership, % 31 December 2018
Development Bank of Kazakhstan JSC	DBK JSC	Republic of Kazakhstan	100.00	100.00
Investment Fund of Kazakhstan JSC	IFK JSC	Republic of Kazakhstan	100.00	100.00
KazakhExport Export Insurance Company JSC	KE JSC	Republic of Kazakhstan	100.00	100.00
DAMU Entrepreneurship Development Fund JSC	Damu EDF JSC	Republic of Kazakhstan	100.00	100.00
QazTech Venture JSC (former National Agency for Technological Development JSC)	QTV JSC (former NATD JSC)	Republic of Kazakhstan	100.00	100.00
Kazyna Capital Management JSC	KCM JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Savings Bank of Kazakhstan JSC	HCSBK JSC	Republic of Kazakhstan	100.00	100.00
Mortgage Organisation Kazakhstan Mortgage Company JSC	KMC JSC	Republic of Kazakhstan	100.00	100.00
Housing Construction Guarantee Fund JSC	HCGF JSC	Republic of Kazakhstan	100.00	100.00
Baiterek Development JSC	BD JSC	Republic of Kazakhstan	100.00	100.00
Kazakhstan Project Preparation Fund LLP	KPPF LLP	Republic of Kazakhstan	97.70	97.70

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating environment of the Holding. The Holding's operations are primarily located in the Republic of Kazakhstan. Consequently, the Holding is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a continuing depreciation of the Kazakhstani Tenge. These developments are further increasing the level of uncertainty in the Kazakhstan business environment.

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

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

2 Basis of preparation

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

This is the first set of the Holding's consolidated financial statements in which IFRS 16 *Leases* have been applied. Changes to significant accounting policies are described below in Note 2.

Basis of measurement. These consolidated financial statements are prepared on the historical cost basis, except that financial instruments through other comprehensive income and through profit or loss are stated at fair value.

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

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

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

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

Changes in accounting policies and presentation

IFRS 16 Leases

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

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

The Holding has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

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

On transition to IFRS 16, the Holding elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Holding leases office space, vehicles and equipment.

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

At commencement or on modification of a contract that contains a lease component, the Holding allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Holding applied the exemption not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for leases for which the lease term ends within 12 months of the date of initial application. The Holding recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

Generally, the accounting policies applicable to the Holding as a lessor in the comparative period were not different from IFRS 16.

The Holding is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Transition - impacts on financial statements

The adoption of IFRS 16 did not have a material effect on the consolidated financial statements for the year ended 31 December 2019.

New amendments and interpretations

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

Comparative information. Comparative information is reclassified to conform to changes in presentation of the consolidated financial statements in the current year. In the course of preparation of the consolidated financial statements of the Holding for the year ended 31 December 2019, management made certain classifications which affected comparative information, for the purpose of presentation of the consolidated financial statements for the year ended 31 December 2019.

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

(In thousands of Kazakhstani Tenge)	**As previously reported**	**Adjustments**	**As restated**
Consolidated statement of financial position as at 31 December 2018			
Government grants	-	411,155,878	411,155,878
Other liabilities	444,013,320	(411,155,878)	32,857,442
Consolidated statement of cash flow for the year ended as at 31 December 2018			
Cash flows from operating activities			
-Dividends received	-	3,688,353	3,688,353
Cash flows from investing activities			
-Dividends received	3,688,353	(3,688,353)	-

3 Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Holding applies exemption provided by IAS 28, which allows not to apply the equity accounting method to account for investments in associate and joint ventures, which are directly held by an entity (or indirectly - through an entity) that is an entity specialising in venture investments. Such entities have a right to account for their investments in said associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. One of the Holding's subsidiary, KCM JSC, believes that it meets the status of entities specialising in venture investments as KCM JSC meets the following criteria:

- The principal activity of KCM JSC in relation to investing funds is to generate the operating income, capital gains or both;

- The KCM JSC's investing activity may be clearly and objectively separated from any other activities;
- Investees represent an independent business units operating independently (on a stand-alone basis) of an investor.

Thus, interests in associates and joint ventures of KCM JSC are accounted as financial instruments at fair value through profit or loss in accordance with the scope exemption in IAS 28 *Investments in Associates and Joint Ventures*.

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

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

Interest income and expense

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

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

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

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

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

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

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

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

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

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

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

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

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

Fees and commission. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income – including account servicing fees, letters of credit, servicing of tied borrowings – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time. The contract with a customer, which resulted in a financial instrument recognised in the consolidated financial statements of the Holding may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Holding first applies IFRS 9 to separate and measure the part of the contract, which is within the scope of IFRS 9 and then applies IFRS 15 to the remaining part of this contract. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Financial assets and financial liabilities

(i) Classification

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

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

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

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Holding may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Holding's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Holding's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Holding considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Holding considers:

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

Non-recourse loans

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

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

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

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

(ii) Derecognition

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

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

The Holding enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Holding neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Holding continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

(iii) Modification of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

- change the currency of the financial liability;

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

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

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

(iv) Impairment

See also Note 5.

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

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

No impairment loss is recognised on equity investments.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Holding in accordance with the contract and the cash flows that the Holding expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Holding if the commitment is drawn down and the cash flows that the Holding expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Holding expects to recover. See Note 5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives

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

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

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

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

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

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

Loans to customers

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

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

Investment securities

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

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

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Holding has issued no loan commitments that are measured at FVTPL. For other loan commitments the Holding recognises a loss allowance. Liabilities arising from financial guarantees and loan commitments are included within other liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative.

Changes in the fair value of derivative instruments are included in profit or loss for the year within gains or losses on financial assets at fair value through profit or loss or gains less losses on derivatives.

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

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

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

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

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

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

Income tax. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted using tax rates and provision of law or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable income or losses are based on estimates where the consolidated financial statements are authorised prior to the filing of the relevant tax return. Taxes other than on income are recorded within administrative and other operating expenses.

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

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

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

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

Leases

Policy applicable from 1 January 2019

At inception of a contract, the Holding assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Holding uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Holding allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Holding has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Holding recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Holding by the end of the lease term or the cost of the right-of-use asset reflects that the Holding will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Holding's incremental borrowing rate. Generally, the Holding uses its incremental borrowing rate as the discount rate.

The Holding determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Holding is reasonably certain to exercise, lease payments in an optional renewal period if the Holding is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Holding is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Holding's estimate of the amount expected to be payable under a residual value guarantee, if the Holding changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Holding presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the consolidated statement of financial position.

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

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Holding allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Holding acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Holding makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Holding considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Holding is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Holding applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Holding applies IFRS 15 to allocate the consideration in the contract.

The Holding applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Holding further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Holding recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Holding as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Holding determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output;
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Holding classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Holding's consolidated statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Holding acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Holding made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Holding considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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

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

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

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

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

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

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

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

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

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

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

	31 December 2019	**31 December 2018**
US Dollar	381.18	384.20
Euro	426.85	439.37
Russian ruble	6.17	5.52

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

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

Presentation of the consolidated statement of financial position in order of liquidity. The Holding does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, analysis of assets and liabilities by their expected and contractual maturities are presented in Note 33.

Standards issued but not yet effective. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application if permitted; However, the Holding has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*

4 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Other assets measured at fair value through profit or loss. KCM JSC, subsidiary, being venture capital organisation, invests in private equity funds, which then invest the received funds into a capital of venture capital companies within the Republic of Kazakhstan and beyond of its borders. Investments are made independently by the fund managers in accordance with investment strategy agreed with KCM JSC. KCM JSC receives quarterly reports on fair value of the investments and does not participate in investment and operating decisions for the funds. The management of the Holding classifies these investments to the category of other assets measured at fair value through profit or loss, and estimates the fair value of these investments by determining the fair value of individual ultimate investments using financial models as described in Note 38.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations (Note 35).

Initial recognition of related party transactions. In the normal course of business, the Holding enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 40.

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

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

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

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

Derivative financial instruments. The Holding's approach to financial derivative transactions is disclosed in Note 37.

Initial recognition of the borrowings and investments at the rates below market rates under the state development programs. Approach to accounting and evaluation of borrowings and loans made under state programs of the economic development in 2019 is disclosed in Notes 8, 10, 11, 12, 18, 20 and 22.

5 Financial risk review

This note presents information about the Holding's exposure to financial risks. For information on the Holding's financial risk management framework, see Note 33.

Credit risk - Amounts arising from ECL

See accounting policy in Note 3 (iv).

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

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

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

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

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

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

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

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

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

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

To determine the internal credit rating of a counterparty who does not have external credit rating from international agencies Standard & Poor's, Fitch Ratings and Moody's Investors Service, the Holding uses expert judgment which is based on various quantitative and qualitative categories of counterparty, such as profitability, liquidity, leverage, country risk, industry characteristics, specifics activities of the enterprise, risk of concentration, legal regulation, internal data and debt.

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

Determining whether credit risk has increased significantly. The Holding assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument.

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

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

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

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

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

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

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

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

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

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

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Holding, a decrease in the credit rating to D; and
- based on data developed internally and obtained from external sources.

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

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

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

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

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

The key driver is GDP forecasts. The economic scenarios include the following key indicators for the Republic of Kazakhstan for 2020-2024.

	2019	2020	2021	2022	2023
GDP growth (upside scenario)	4.00%	4.20%	4.30%	5.30%	6.20%
GDP growth (base scenario)	3.30%	3.50%	3.30%	4.50%	4.60%
GDP growth (downside scenario)	3.13%	3.33%	3.05%	4.30%	4.20%

** Source of information: data from the Ministry of National Economy of the Republic of Kazakhstan.*

Taking into account lack of sufficient historical default data, the Holding determined that the data provided by rating agencies would serve as a source of information for economic scenarios. Scenarios are updated on a regular basis and used in assessment of credit risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EAD represents the expected exposure in the event of a default.

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

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

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

		External benchmarks used	
(In thousands of Kazakhstani Tenge)	**An exposure as at 31 December 2019**	**PD**	**LGD**
Cash and Cash Equivalents	414,582,134	S&P/Moody's default study	70%
Loans to banks and financial institutions	373,726,776	S&P/Moody's default study	70%
Deposits with banks and financial institutions	153,084,094	S&P/Moody's default study	70%
Investment securities	772,797,070	S&P/Moody's default study	S&P/Moody's default study

Credit quality analysis. The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments as at 31 December 2019. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Cash and cash equivalents					
Cash on hand	2,778,774	-	-	-	2,778,774
NBRK, unrated	196,924,069	-	-	-	196,924,069
- rated from AA- to AA+	7,901,932	-	-	-	7,901,932
- rated from A- to A+	20,098,358	-	-	-	20,098,358
- rated from BBB- to BBB+	6,506,392	-	-	-	6,506,392
- rated from BB- to BB+	31,444,781	-	-	-	31,444,781
- rated from B- to B+	1,435,544	-	-	-	1,435,544
- D rated	-	-	2,665,458	-	2,665,458
- not rated	10,692,398	-	-	-	10,692,398
Receivables under reverse repurchase agreements with original maturities of less than three months	136,842,120	-	-	-	136,842,120
	414,624,368	**-**	**2,665,458**	**-**	**417,289,826**
Loss allowance	(42,234)	-	(2,665,458)	-	(2,707,692)
Total cash and cash equivalents	**414,582,134**	**-**	**-**	**-**	**414,582,134**
Deposits with banks and financial institutions					
- rated from BBB- to BBB+	17,094,481	-	-	-	17,094,481
- rated from BB- to BB+	136,234,095	-	45,335	-	136,279,430
- rated from B- to B+	59,318	-	-	-	59,318
- D rated	-	-	16,154,351	-	16,154,351
	153,387,894	**-**	**16,199,686**	**-**	**169,587,580**
Loss allowance	(303,800)	-	(16,199,686)	-	(16,503,486)
Total deposits *with banks and financial institutions*	**153,084,094**	**-**	**-**	**-**	**153,084,094**
Loans to banks and financial institutions					
- rated from BB- to BB+	147,214,849	-	-	-	147,214,849
- rated from B- to B+	192,459,283	23,089,649	4,868,912	1,609,498	222,027,342
- D rated	-	-	3,916,957	-	3,916,957
- not rated	14,154,482	-	3,857,184	-	18,011,666
	353,828,614	**23,089,649**	**12,643,053**	**1,609,498**	**391,170,814**
Loss allowance	(4,928,776)	(6,842,024)	(5,673,238)	-	(17,444,038)
Total loans to banks and financial institutions	**348,899,838**	**16,247,625**	**6,969,815**	**1,609,498**	**373,726,776**

(In thousands of Kazakhstani Tenge)	31 December 2019				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Loans to customers at amortised cost					
With internally rated credit risk					
- rated from BBB- to BBB+	356,875,284	63,833,960	-	-	420,709,244
- rated from BB- to BB+	498,715,553	7,799,743	-	-	506,515,296
- rated from B- to B+	371,163,353	129,149,492	-	-	500,312,845
- rated from CCC- to CCC+	32,772,533	126,435,833	18,081,684	9,894,573	187,184,623
- rated D	-	-	61,403,866	4,774,609	66,178,475
- not rated (mortgage loans)	924,246,059	130,769,358	7,965,111	151,696	1,063,132,224
	2,183,772,782	**457,988,386**	**87,450,661**	**14,820,878**	**2,744,032,707**
Loss allowance	(6,667,197)	(28,047,145)	(39,760,244)	(4,566,632)	(79,041,218)
Total loans to customers at amortised cost	**2,177,105,585**	**429,941,241**	**47,690,417**	**10,254,246**	**2,664,991,489**
Finance lease receivables (except for embedded derivative)					
Corporate customers					
With externally rated credit risk					
- rated from BBB- to BBB+	61,324,574	-	-	-	61,324,574
- rated from B- to B+	6,750,757	-	-	-	6,750,757
With internally rated credit risk					
- rated from BB to BB+	21,274,110	-	136,350	-	21,410,460
- rated from B- to B+	64,216,948	9,085,963	-	-	73,302,911
- rated CCC+	3,830,140	-	819,798	-	4,649,938
- rated from CCC- to CCC	7,640,208	-	2,155,051	-	9,795,259
- rated D	-	-	18,120,744	-	18,120,744
	165,036,737	**9,085,963**	**21,231,943**	**-**	**195,354,643**
Loss allowance	(2,702,783)	(74,558)	(9,122,075)	-	(11,899,416)
Total corporate customers	**162,333,954**	**9,011,405**	**12,109,868**	**-**	**183,455,227**
Retails and individuals					
- not overdue	147,284,036	369,758	111,576	-	147,765,370
- overdue less than 30 days	9,830,170	103,576	-	-	9,933,746
- overdue more than 31 days and less than 90 days	-	3,910,637	8,182	-	3,918,819
- overdue more than 91 days and less than 360 days	-	-	6,863,919	-	6,863,919
- overdue more than 1 year	-	-	163,141	-	163,141
	157,114,206	**4,383,971**	**7,146,818**	**-**	**168,644,995**
Loss allowance	(333,708)	(409,580)	(741,100)	-	(1,484,388)
Total retails and individuals	**156,780,498**	**3,974,391**	**6,405,718**	**-**	**167,160,607**
Total finance lease receivables (except for embedded derivative)	**319,114,452**	**12,985,796**	**18,515,586**	**-**	**350,615,834**
Investment securities at FVOCI					
- rated from AAA- to AAA+	2,135,988	-	-	-	2,135,988
- rated from AA- to AA+	88,119,585	-	-	-	88,119,585
- rated from A- to A+	17,751,952	-	-	-	17,751,952
- rated from BBB- to BBB+	179,114,244	-	-	-	179,114,244
- rated from BB- to BB+	76,473,873	-	-	-	76,473,873
- rated from B- to B+	1,657,076	2,898,797	-	-	4,555,873
	365,252,718	**2,898,797**	**-**	**-**	**368,151,515**
Loss allowance	(134,750)	(211,160)	-	-	(345,910)
Gross carrying amount	**365,387,468**	**3,109,957**	**-**	**-**	**368,497,425**
Total investment securities at FVOCI	**365,252,718**	**2,898,797**	**-**	**-**	**368,151,515**
Investment securities at amortised cost					
NBRK, unrated	114,646,493	-	-	-	114,646,493
- rated from BBB- to BBB+	201,363,476	-	-	-	201,363,476
- rated from BB- to BB+	6,516,175	-	-	-	6,516,175
- rated from B- to B+	77,117,026	-	-	8,122,368	85,239,394
- not rated	-	-	2,102,726	-	2,102,726
	399,643,170	**-**	**2,102,726**	**8,122,368**	**409,868,264**
Loss allowance	(1,716,791)	-	(2,102,726)	(1,408,406)	(5,227,923)
Total investment securities at amortised cost	**397,926,379**	**-**	**-**	**6,713,962**	**404,640,341**

	31 December 2019			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Other financial assets	**22,017,436**	**105,807**	**1,063,602**	**23,186,845**
Loss allowance	(1,999,723)	(4,405)	(936,517)	(2,940,645)
Total other financial assets	**20,017,713**	**101,402**	**127,085**	**20,246,200**
Financial guarantee contracts				
-rated from B- to B+	70,446,847	-	-	70,446,847
not rated				
- not overdue	66,570,310	-	-	66,570,310
- overdue less than 30 days	906,086	-	-	906,086
- overdue more than 31 days and less than 90 days	391,615	-	-	391,616
- overdue more than 91 days and less than 180 days	311,647	-	-	311,647
	138,626,505	**-**	**-**	**138,626,505**
Loss allowance	**(1,558,325)**	**-**	**-**	**(1,558,325)**
Loan commitments				
With internally rated credit risk				
- rated from BBB- to BBB+	46,061,800	-	-	46,061,800
- rated from BB- to BB+	111,656,667	-	-	111,656,667
- rated from B- to B+	129,239,272	-	-	129,239,272
- rated from CCC- to CCC+	-	331,491	-	331,491
	286,957,739	**331,491**	**-**	**287,289,230**
Loss allowance	**(2,029,985)**	**-**	**-**	**(2,029,985)**

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

	31 December 2019				
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Mortgage loans (unrated)					
- not overdue	920,001,107	121,790,130	2,204,355	144,605	1,044,140,197
- overdue less than 30 days	4,244,952	5,817,564	274,675	1,475	10,338,666
- overdue more than 31 days and less than 90 days	-	3,161,664	214,798	4,359	3,380,821
- overdue more than 91 days and less than 180 days	-	-	1,027,332	1,257	1,028,589
- overdue more than 181 days and less than 1 year	-	-	295,822	-	295,822
- overdue more than 1 year		-	3,948,129	-	3,948,129
	924,246,059	**130,769,358**	**7,965,111**	**151,696**	**1,063,132,224**
Loss allowance	(1,209,261)	(677,421)	(4,472,446)	(151,696)	(6,510,824)
Total mortgage loans at amortised cost	**923,036,798**	**130,091,937**	**3,492,665**	**-**	**1,056,621,400**
Loans to customers, except mortgage loans					
- not overdue	1,259,526,723	327,219,028	38,838,313	9,896,316	1,635,480,380
- overdue more than 91 days and less than 180 days	-	-	10,582,431	-	10,582,431
- overdue more than 181 days and less than 1 year	-	-	22,165,178	-	22,165,178
- overdue more than 1 year	-	-	7,899,628	4,772,866	12,672,494
	1,259,526,723	**327,219,028**	**79,485,550**	**14,669,182**	**1,680,900,483**
Loss allowance	(5,457,936)	(27,369,724)	(35,287,798)	(4,414,936)	(72,530,394)
Total loans to customers, except mortgage loans, at amortised cost	**1,254,068,787**	**299,849,304**	**44,197,752**	**10,254,246**	**1,608,370,089**

	31 December 2018			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Cash and cash equivalents				
Cash on hand	2,382,146	-	-	2,382,146
NBRK, unrated	284,587,704	-	-	284,587,704
- rated from AA- to AA+	15,957,208	-	-	15,957,208
- rated from A- to A+	64,619,284	-	-	64,619,284
- rated from BBB- to BBB+	11,754,601	-	-	11,754,601
- rated from BB- to BB+	93,818,036	-	-	93,818,036
- rated from B- to B+	5,406,733	-	-	5,406,733
- D rated	-	-	2,106,159	2,106,159
- not rated	2,941,493	-	632,652	3,574,145
Receivables under reverse repurchase agreements with original maturities of less than three months	162,858,270	-	-	162,858,270
	644,325,475	**-**	**2,738,811**	**647,064,286**
Loss allowance	(182,032)	-	(2,710,107)	(2,892,139)
Total cash and cash equivalents	**644,143,443**	**-**	**28,704**	**644,172,147**
Deposits with banks and financial institutions				
- rated from BBB- to BBB+	17,990,852	-	-	17,990,852
- rated from BB- to BB+	95,684,942	-	-	95,684,942
- rated from B- to B+	39,479,769	151,401	2,065,771	41,696,941
- D rated	-	-	16,416,077	16,416,077
	153,155,563	**151,401**	**18,481,848**	**171,788,812**
Loss allowance	(1,058,094)	(6,634)	(17,675,589)	(18,740,317)
Total deposits with banks and financial institutions	**152,097,469**	**144,767**	**806,259**	**153,048,495**
Loans to banks and financial institutions				
- rated from BB- to BB+	115,349,764	-	-	115,349,764
- rated from B- to B+	142,517,641	-	16,881,755	159,399,396
- D rated	-	-	3,988,787	3,988,787
- not rated	10,341,146	5,998,395	41,229	16,380,770
	268,208,551	**5,998,395**	**20,911,771**	**295,118,717**
Loss allowance	(5,265,683)	(2,895,627)	(11,792,819)	(19,954,129)
Total loans to banks and financial institutions	**262,942,868**	**3,102,768**	**9,118,952**	**275,164,588**
Finance lease receivables (except for embedded derivative)				
Corporate customers				
With externally rated credit risk				
- rated from BBB- to BBB+	25,764,945	-	-	25,764,945
- rated from B- to B+	7,230,202	-	-	7,230,202
With internally rated credit risk				
- rated from BB to BB+	11,845,664	233,152	17,417	12,096,233
- rated from B- to B+	37,060,364	968,144	-	38,028,508
- rated CCC+	14,053,914	354,615	-	14,408,529
- rated from CCC- to CCC	4,382,982	252,791	17,100,752	21,736,525
- rated D	-	-	1,853,567	1,853,567
	100,338,071	**1,808,702**	**18,971,736**	**121,118,509**
Loss allowance	(2,966,742)	(135,588)	(8,799,909)	(11,902,239)
Total corporate customers	**97,371,329**	**1,673,114**	**10,171,827**	**109,216,270**
Retails and individuals				
- not overdue	149,168,979	188,517	17,027	149,374,523
- overdue less than 30 days	8,447,682	-	7,916	8,455,598
- overdue more than 31 days and less than 90 days	-	3,950,513	-	3,950,513
- overdue more than 91 days and less than 360 days	-	29,971	1,090,901	1,120,872
- overdue more than 1 year	-	-	43,902	43,902
Total retails and individuals	**157,616,661**	**4,169,001**	**1,159,746**	**162,945,408**
Loss allowance	(229,802)	(393,335)	(117,502)	(740,639)
Total retails and individuals	**157,386,859**	**3,775,666**	**1,042,244**	**162,204,769**
Total finance lease receivables (except for embedded derivative)	**254,758,188**	**5,448,780**	**11,214,071**	**271,421,039**

	31 December 2018				
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**POCI**	**Total**
Investment securities at FVOCI					
NBRK, unrated	5,993,282	-	-	-	5,993,282
- rated from AA- to AA+	6,370,218	-	-	-	6,370,218
- rated from BBB- to BBB+	300,120,042	-	-	-	300,120,042
- rated from BB- to BB+	55,808,008	-	-	-	55,808,008
- rated from B- to B+	5,422,622	-	-	-	5,422,622
- not rated	13,167,032	-	-	-	13,167,032
	386,881,204	**-**	**-**	**-**	**386,881,204**
Loss allowance	(223,878)	-	-	-	(223,878)
Gross carrying amount	**387,105,082**	**-**	**-**	**-**	**387,105,082**
Total investment securities at FVOCI	**386,881,204**	**-**	**-**	**-**	**386,881,204**
Loans to customers at amortised cost					
- rated from BBB- to BBB+	293,299,446	73,914,041	-	-	367,213,487
- rated from BB- to BB+	405,405,786	28,275,605	-	-	433,681,391
- rated from B- to B+	325,052,719	366,599,104	-	-	691,651,823
- rated from CCC- to CCC+	14,604,240	139,304,332	27,279,176	8,724,351	189,912,099
- rated D	-	-	16,607,425	4,637,151	21,244,576
- not rated	622,242,344	82,437,802	7,270,593	-	711,950,739
	1,660,604,535	**690,530,884**	**51,157,194**	**13,361,502**	**2,415,654,115**
Loss allowance	(7,302,977)	(28,758,594)	(16,022,364)	(6,698,035)	(58,781,970)
Total loans to customers at amortised cost	**1,653,301,558**	**661,772,290**	**35,134,830**	**6,663,467**	**2,356,872,145**
Investment securities at amortised cost					
NBRK, unrated	17,697,456	-	-	-	17,697,456
- rated from BBB- to BBB+	5,375,762	-	-	-	5,375,762
- rated from BB- to BB+	6,074,969	-	-	-	6,074,969
- rated from B- to B+	10,620,244	-	-	7,356,768	17,977,012
- not rated	151,082,668	-	2,102,726	-	153,185,394
	190,851,099	**-**	**2,102,726**	**7,356,768**	**200,310,593**
Loss allowance	(7,633)	-	(2,102,726)	(1,408,406)	(3,518,765)
Total investment securities at amortised cost	**190,843,466**	**-**	**-**	**5,948,362**	**196,791,828**
Other financial assets	**22,340,011**	**212,002**	**971,603**		**23,523,616**
Loss allowance	(1,364,551)	(11,042)	(967,604)	-	(2,343,197)
Total other financial assets	**20,975,460**	**200,960**	**3,999**	**-**	**21,180,419**
Loan commitments					
- rated from BBB- to BBB+	3,719,758	-	-	-	3,719,758
- rated from BB- to BB+	145,970,258	-	-	-	145,970,258
- rated from B- to B+	12,770,413	100,000	-	-	12,870,413
- rated from CCC- to CCC+	1,105,529	2,974,423	6,731,563	7,032,776	17,844,291
	163,565,958	**3,074,423**	**6,731,563**	**7,032,776**	**180,404,720**
Loss allowance	**(914,261)**	**(113,863)**	**(2,773,139)**	**-**	**(3,801,263)**
Financial guarantee contracts					
- rated from BB- to BB+	77,335	2,205,570	-	-	2,282,905
- rated from B- to B+	85,183,321	-	-	-	85,183,321
not rated					
- not overdue	45,069,979	-	-	-	45,069,979
- overdue less than 30 days	315,247	-	-	-	315,247
- overdue more than 31 days and less than 90 days	384,968	-	-	-	384,968
- overdue more than 91 days and less than 180 days	408,210	-	-	-	408,210
	131,439,060	**2,205,570**	**-**	**-**	**133,644,630**
Loss allowance	**(1,635,636)**	**-**	**-**	**-**	**(1,635,636)**

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

6 Cash and cash equivalents

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Receivables under reverse repurchase agreements with original maturities of less than three months	136,842,120	162,858,270
Cash balances with the NBRK	118,866,733	204,839,693
Notes of NBRK maturing within three months	70,416,525	74,962,021
Correspondent accounts and overnight placements with other banks	42,714,617	115,714,898
Current accounts	38,030,246	81,521,268
Mandatory reserves with the NBRK	7,640,811	4,785,990
Cash on hand	2,778,774	2,382,146
Total cash and cash equivalents before impairment allowance	**417,289,826**	**647,064,286**
Less: impairment allowance	(2,707,692)	(2,892,139)
Total cash and cash equivalents	**414,582,134**	**644,172,147**

The credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's ratings or Moody's or Fitch ratings as follows at 31 December 2019:

(In thousands of Kazakhstani Tenge)	**Cash balances with the NBRK, including mandatory reserves**	**Current accounts**	**Notes of NBRK maturing within three months**	**Corresponde nt accounts and overnight placements with other banks**	**Total**
- NBRK (unrated)	126,507,544	-	70,416,525	-	196,924,069
- AA- to AA+ rated	-	-	-	7,901,932	7,901,932
- A- to A+ rated	-	-	-	20,098,358	20,098,358
- BBB- to BBB+ rated	-	6,487,723	-	18,669	6,506,392
- BB- to BB+ rated	-	16,751,863	-	14,692,918	31,444,781
- B- to B+ rated	-	1,435,544	-	-	1,435,544
- D rated	-	2,665,458	-	-	2,665,458
- unrated (Citibank JSC)	-	10,689,658	-	2,740	10,692,398
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements before impairment allowance	**126,507,544**	**38,030,246**	**70,416,525**	**42,714,617**	**277,668,932**
Less: impairment allowance	(7,246)	(2,679,301)	(13,561)	(6)	(2,700,114)
Total cash and cash equivalents, excluding cash on hand and receivables under reverse repurchase agreements after impairment allowance	**126,500,298**	**35,350,945**	**70,402,964**	**42,714,611**	**274,968,818**

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

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

As at 31 December 2019 and 31 December 2018, the Holding entered into reverse repurchase agreements once Kazakhstan Stock Exchange. The subject of these agreements were treasury notes of the Ministry of Finance of the Republic of Kazakhstan and notes of the National Bank of the Republic of Kazakhstan. The carrying amount of those agreements and fair value of securities pledged amounted to Tenge 136,842,120 thousand and Tenge 138,204,452 thousand, respectively (31 December 2018: Tenge 162,858,270 thousand and Tenge 167,640,149 thousand).

At 31 December 2019 the Holding had one counterparty bank (31 December 2018: one counterparty bank) whose total cash and cash equivalent balances exceed 10% of equity. The total aggregate amount of these balances at 31 December 2019 was Tenge 196,924,069 thousand (31 December 2018: Tenge 284,587,704 thousand) or 47.50% of cash and cash equivalents (31 December 2018: 44.18 %).

Interest rate analysis of cash and cash equivalents is disclosed in Note 33. Information on related party balances is disclosed in Note 40.

During 2019 the Holding has recognised recovery of impairment allowance for cash and cash equivalents in the amount of Tenge 182,907 thousand (Note 29) (2018: impairment accrual of Tenge 586,885 thousand).

7 Other assets measured at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Derivative financial instruments	148,478	12,710,512
Other assets measured at fair value through profit or loss		
Investments in joint ventures	47,465,606	44,325,523
Investments in associates	33,476,165	33,534,875
Other equity investments	47,938,213	40,134,528
Other financial assets	61,886	45,867
Total assets measured at fair value through profit or loss	**129,090,348**	**130,751,305**

Derivative financial instruments. In 2018 derivative financial instruments comprised foreign currency swaps and cross-currency interest rate swaps with maturity in 2019-2020 (Note 37).

The Holding accounts for its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9, as it uses the exemption from the need to use the equity method to account for investments in associates and joint ventures for organizations specializing in venture capital investment.

(In thousands of Kazakhstani Tenge)	**2019**	**Share of equity, %**	**2018**	**Share of equity, %**
Investments in joint ventures				
AstanaGAS KMG JSC	40,150,121	50.00	40,150,121	50.00
Baikonyr Solar LLP	4,242,000	49.00	-	-
VTB Capital 12BF Innovation Fund L.P.	1,850,814	49.00	4,175,402	49.00
Makinsky thermal insulation plant LLP	1,000,000	49.00	-	-
Best Meat LLP	222,671	49.00	-	-
	47,465,606		**44,325,523**	
Investments in associates				
CITIC-KAZYNA Investment L.P.	14,129,220	49.90	15,954,198	49.90
Kazakhstan Growth Fund L.P.	11,845,214	49.50	12,071,081	49.50
ADM KCRF L.P.	4,989,676	49.50	5,509,596	49.50
KazMyaso LLP	1,777,329	49.00	-	-
Temirbeton-1 LLP	634,726	22.00	-	-
Burundaisky mineral water LLP	100,000	45.30	-	-
	33,476,165		**33,534,875**	
Other equity investments				
Kazakhstan Infrastructure Fund C.V.	20,003,556	95.20	17,003,096	95.20
AITAS LUX S.A.R.L	13,053,592	19.50	3,596,853	6.10
TsATEC Green Energy LLP	2,956,040	19.39	1,000,000	23.55
TsAEC JSC	1,983,059	1.50	759,159	1.50
Wolfenson Capital Partners L.P.	1,701,273	9.90	1,689,024	9.90
Group of companies Allur JSC	1,624,724	15.50	1,552,644	15.50
EMC Agro LLP	1,585,000	9.90	-	-
Quanterix Corporation	1,085,053	0.43	-	-
BRBAPK LLP	1,000,000	8.30	-	-
MRIF CASP C.V.	787,492	9.10	2,687,590	9.10
500 Startups V.L.P	762,360	15.83	-	-
Falah Growth Fund L.P.	666,512	10.00	921,667	10.00
Islamic Infrastructure Fund Limited Partnership	339,785	1.30	581,665	1.30
Wellington Partners Ventures III Fund L.P.	254,061	5.13	592,363	5.13
Mining Chemical Company LLP	108,006	7.20	108,006	7.20
Vertex III (C.I.) Fund L.P.	23,126	3.95	225,379	3.95
Flagship Ventures Fund 2004 L.P.	4,574	6.60	1,133,888	6.60
TTG Group Holding B.V.	-	-	8,275,000	12.20
Aureos Central Asia Fund LLC	-	-	8,194	14.20
	47,938,213		**40,134,528**	

Investment in Kazakhstan Infrastructure Fund C.V.

In February 2017, to appoint new general partner to в Kazakhstan Infrastructure Fund C.V. ("KIF"), the Holding 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 Holding's involvement

The Holding holds a 95% interest in KIF, and being a limited liability partner under the LPA, 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 IFRS 10 *Consolidated Financial Statements*, the Holding has no control over KIF as at 31 December 2019 and 31 December 2018.

The table below summarizes the financial information as at 31 December 2019 and 31 December 2018 on significant investments in associates and joint ventures, as presented in their own financial statements of these enterprises:

(In thousands of Kazakhstani Tenge)	**AstanaGas KMG JSC**	**CITIC KAZYNA Investment Fund L.P.**	**Kazakhstan Growth Fund L.P.**	**ADM KCRF L.P.**	**Baikonyr Solar LLP**
Share of equity, %	50.00%	49.90%	49.50%	49.50%	49.00%
Country of registration	Joint veture Republic of Kazakhstan	Associate Cayman islands	Associate Netherlands	Associate Netherlands	Joint veture Republic of Kazakhstan
Place of business	Republic of Kazakhstan	China / Republic of Kazakhstan	Republic of Kazakhstan	Republic of Kazakhstan	Republic of Kazakhstan
As at 31 December 2019:					
Non-current assets	286,802,783	28,330,708	24,509,197	9,102,560	20,754,318
Current assets*	32,398,020	8,268,175	165,712	198,547	4,367,105
Non-current liabilities**	(209,129,372)	-	-	-	(16,087,420)
Current liabilities	(30,588,357)	(8,265,735)	(161,791)	(16,208)	(328,893)
For the year ended 31 December 2019:					
Revenue	-	-	-	-	54,426
Net (loss)/gain	(1,192,644)	648,525	(274,703)	(77,679)	81,490
Total comprehensive income for the year	(1,192,644)	-	-	-	81,490
As at 31 December 2018:					
Non-current assets	119,108,049	30,810,142	25,033,497	11,117,109	-
Current assets*	48,776,224	7,222,514	164,282	313,862	-
Non-current liabilities**	(85,425,000)	-	-	-	-
Current liabilities	(1,783,555)	(7,202,217)	(195,448)	(43,841)	-
For the year ended 31 December 2018:					
Net (loss)/gain	223,093	(1,286,993)	(230,602)	(193,254)	-
Total comprehensive income for the year	223,093	-	-	-	-

* The current assets of AstanaGas KMG JSC as of 31 December 2019 included cash and cash equivalents in the amount of Tenge 32,394,400 thousand (as of 31 December 2018: Tenge 48,767,308 thousand). The current assets of Baikonyr Solar LLP as of 31 December 2019 included cash and cash equivalents in the amount of Tenge 967.917 thousand.

** The structure of long-term liabilities of AstanaGas KMG JSC as of 31 December 2019 includes long-term financial liabilities in the amount of Tenge 202,864,371 thousand (as of 31 December 2018: Tenge 85,425,000 thousand). The structure of long-term liabilities of Baikonyr Solar LLP as of 31 December 2019 included long-term financial liabilities in the amount of Tenge 16,087,420 thousand.

The main activity of the Holding is investing in order to generate income and capital gains. The Holding has an exit strategy for each of its investments. The Holding's investment activities are carried out through subsidiaries of the Holding. The Holding has an established monitoring and reporting system in relation to investment activities. The Holding also has an investment department and a risk management department, whose functions include managing the investment activities of the Holding, including reporting to the Holding Management and the Board of Directors. In addition, the Holding's investment objects are independent business entities in the operating activities of which the Holding takes a limited part, having no control over the investment objects.

Therefore, the Holding believes that it meets the definition of an organization specializing in venture capital investments and uses the exemption from the need to use the equity method to account for investments in associates and joint ventures.

Refer to Note 38 for the estimated fair value of each class of other assets measured at fair value through profit or loss.

8 Loans to banks and financial institutions

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Loans to banks and financial institutions		
- BB- to BB+ rated	147,214,849	115,349,764
- B- to B+ rated	222,027,342	159,399,396
- D rated	3,916,957	3,988,787
- unrated	18,011,666	16,380,770
Gross loans to banks and financial institutions	**391,170,814**	**295,118,717**
Less: impairment allowance	(17,444,038)	(19,954,129)
Total loans to banks and financial institutions	**373,726,776**	**275,164,588**

Due to deterioration of the financial position of First Heartland Jysan Bank JSC (former Tsesnabank JSC), a part of the loans and deposits of Tenge 81,885,369 thousand (excluding impairment allowance and discount) provided to and held in First Heartland Jysan Bank JSC from the state fund and funds of Asian Development Bank was restructured in accordance with the terms and conditions of the Framework Agreement concluded on 19 September 2018 between the Government of the Republic of Kazakhstan, NWF Samruk-Kazyna, Baiterek NMH JSC, Kazagro Holding JSC and Tsesna Corporation JSC. From November to December 2018, as a part of such restructuring, the Holding's amounts due from First Heartland Jysan Bank JSC in the amount Tenge 52,693,001 thousand have been exchanged to bonds of First Heartland Jysan Bank JSC , which have maturity in 10 years and a coupon rate of 4.00% per annum. On 22 January 2019 a new Framework Agreement was concluded, under which the nominal interest rate on securities was reduced to 0.10% and maturity of was extended to 15 years. The Holding accounted these bonds as credit-impaired on initial recognition in debt securities (Note 11). Fair value of the securities as at 31 December 2018 amounted to Tenge 7,356,768 thousand and was calculated using an estimated discounting rate of 16.92% p.a..

The Holding uses the following assumptions to estimate the market interest rates for determination of the fair value of financial instruments:

- Yield on long-term bonds issued by the Ministry of Finance of the Republic of Kazakhstan;
- The credit risk premium of the Republic of Kazakhstan;
- The credit risk premium of the counterparty or the Holding Company.

For the remaining part of loans provided to First Heartland Jysan Bank JSC in the amount of Tenge 29,192,368 thousand the agreement terms have been also modified by reduction of the interest rate to 0.10% and setting maturity in 15 years from the date of modification.

With respect to deposits in and loans issued to First Heartland Jysan Bank JSC, during 2018, the Holding recognised impairment loss of Tenge 53,253,156 thousand in profit or loss, including loss under the Framework in the amount of Tenge 48,178,541 thousand. Carrying amount of the non-restructured balance of outstanding loans of First Heartland Jysan Bank JSC, net of allowance for ECL in the amount of Tenge 8,214,124 thousand and net of discount in the amount of Tenge 17,446,954 thousand, amounted to Tenge 5,498,050 thousand as at 31 December 2018.

Amounts due from banks are not collateralised. Movements in the provision for impairment of loans to banks and other financial institutions are as follows:

	2019			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**5,265,683**	**2,895,627**	**11,792,819**	**19,954,129**
Transfer to Stage 2	(923,186)	3,813,787	(2,890,601)	-
Impairment allowance (recovery)/charge during the year (Note 29)	586,279	132,610	(1,385,748)	(666,859)
Amortisation of discount on present value of ECLs	-	-	10,982	10,982
Write-offs	-	-	(1,854,214)	(1,854,214)
Balance as at 31 December	**4,928,776**	**6,842,024**	**5,673,238**	**17,444,038**

	2018			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**-**	**-**	**26,788,019**	**26,788,019**
Impact of adopting IFRS 9	8,239,317	331,709	(3,161,322)	5,409,704
Impairment allowance (recovery)/charge during the year (Note 29)	(2,973,634)	2,563,918	34,446,710	34,036,994
Write-offs	-	-	(46,280,588)	(46,280,588)
Balance as at 31 December	**5,265,683**	**2,895,627**	**11,792,819**	**19,954,129**

At 31 December 2019 and 2018 the Holding had no outstanding balances of loans to banks and financial institutions whose total balances exceed 10% of equity.

Refer to Note 38 for the estimated fair value of each class of amounts due from banks. An interest rate analysis of due from banks is disclosed in Note 33. Information on related party transactions is disclosed in Note 40.

9 Deposits with banks and financial institutions

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Deposits with banks and financial institutions		
- BBB- to BBB+ rated	17,094,481	17,990,852
- BB- to BB+ rated	136,279,430	95,684,942
- B- to B+ rated	59,318	41,696,941
- D rated	16,154,351	16,416,077
Gross deposits with banks and financial institutions	**169,587,580**	**171,788,812**
Less: impairment allowance	(16,503,486)	(18,740,317)
Total deposits with banks and financial institutions	**153,084,094**	**153,048,495**

Movements in the provision for impairment of deposits with banks and financial institutions are as follows:

	2019			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**1,058,094**	**6,634**	**17,675,589**	**18,740,317**
Impairment allowance (recovery)/charge during the year (Note 29)	(754,083)	(6,634)	(1,436,971)	(2,197,688)
Effect of changes in foreign exchange rates	(211)	-	(38,932)	(39,143)
Balance as at 31 December	**303,800**	**-**	**16,199,686**	**16,503,486**

	2018			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**-**	**-**	**15,709,171**	**15,709,171**
Impact of adopting IFRS 9	2,511,446	88,432	473,145	3,073,023
Impairment allowance (recovery)/charge during the year (Note 29)	(1,481,031)	(81,798)	13,496,095	11,933,266
Effect of changes in foreign exchange rates	27,679	-	1,422,733	1,450,412
Write-offs	-	-	(13,411,943)	(13,411,943)
Transfer to loans to customers	-	-	(13,612)	(13,612)
Balance as at 31 December	**1,058,094**	**6,634**	**17,675,589**	**18,740,317**

At 31 December 2019 and 2018 the Holding had no outstanding balances of deposits with banks and financial institutions whose total balances exceed 10% of equity.

Deposits with banks and financial institutions classified to Stage 3. As at 31 December 2019 the Holding has deposit balances in KazInvestBank JSC and Delta Bank JSC in the amount of Tenge 6,701,268 thousand (31 December 2018: Tenge 6,433,270 thousand) and Tenge 9,498,418 thousand (31 December 2018: Tenge 9,516,120 thousand), respectively, which are fully provisioned.

On 30 December 2016 the Standard & Poor's downgraded the long-term/short-term credit rating of Delta Bank JSC from "B/B" to "CCC+/C" and then on 16 February 2017 to "D/D". As at 31 December 2016 the Holding had total balance of the long-term deposits with and loans issued to Delta Bank JSC of Tenge 60,303,992 thousand. This amount included deposits of Tenge 20,086,055 thousand and loans issued of Tenge 15,697,441 thousand, which were restructured during 2017, and the remaining part in the amount of Tenge 24,520,496 thousand has not been subject for restructuring in 2017. In accordance with the restructure terms, the Holding signed trilateral agreements with Delta Bank JSC and the list of its borrowers and received the portfolio of loans issued to small and medium entities for the amount Tenge 35,783,496 thousand. During the year ended 31 December 2017, the Holding recognised impairment losses in relation to received portfolio of loans to customers in the amount of Tenge 21,998,166 thousand. As at 31 December 2017, not restructured balances of deposits with and loans issued to Delta Bank JSC amounted to Tenge 9,381,873 thousand and to Tenge 4,152,389 thousand, respectively, and were fully impaired. These provisions were accrued during 2016 in the amount of Tenge 7,138,442 thousand and during 2017 in the amount of Tenge 6,395,820 thousand. The difference of Tenge 10,986,234 thousand between initial amount of non-restructured exposures in Delta Bank JSC of Tenge 24,520,496 thousand and remaining gross exposure of Tenge 13,534,262 thousand as at 31 December 2017 was repaid by Delta Bank JSC during 2017. During 2019, the gross exposure in Delta Bank JSC was partially repaid in the amount of Tenge 17,702 thousand (2018: no repayments).

Refer to Note 38 for the estimated fair value of each class of deposits with banks and financial institutions. An interest rate analysis of due from banks is disclosed in Note 33. Information on related party transactions is disclosed in Note 40.

10 Loans to customers

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Loans to customers at amortised cost		
Corporate loans	1,584,021,190	1,614,696,297
Mortgage loans	1,059,586,050	709,253,863
Loans issued to small and medium entities ("SME")	1,653,566	1,787,726
Accrued interest	98,771,901	89,916,229
Gross loans to customers measured at amortised cost	**2,744,032,707**	**2,415,654,115**
Less: impairment allowance on loans	(79,041,218)	(58,781,970)
Total net loans to customers measured at amortised cost	**2,664,991,489**	**2,356,872,145**
Loans to customers measured at fair value through profit or loss	**81,495,249**	**42,560,471**
Total loans to customers	**2,746,486,738**	**2,399,432,616**

In determining the fair value of loans to customers measured at fair value through profit or loss, management made assumptions that the following market rates are appropriate for the Holding: from 10.46% to 18.86% in Tenge and 5.26% in USD. None of the loans to customers measured at fair value through profit or loss are past due.

During the year ended 31 December 2019, the Holding acquired mortgage loan portfolios from two commercial banks (2018: acquired mortgage loan portfolios from one commercial bank). The loans acquired during 2019 were recognised at fair value at the total amount of Tenge 23,746,429 thousand (2018: Tenge 4,940,099 thousand). As at 31 December 2019 mortgage loans portfolio consisted of mortgage loans issued directly in the amount of Tenge 999,462,020 thousand (2018: Tenge 669,182,944 thousand) and of mortgage loans purchased from commercial banks in the amount of Tenge 60,124,030 thousand (2018: Tenge 40,070,919 thousand).

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

	2019				
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**POCI Credit-impaired assets at initial recognition**	**Total**
Balance at 1 January	1,660,604,535	690,530,884	51,157,194	13,361,502	2,415,654,115
Transfer to Stage 1	42,460,442	(42,079,305)	(381,137)	-	-
Transfer to Stage 2	(96,233,939)	96,837,345	(603,406)	-	-
Transfer to Stage 3 and POCI	(1,332,347)	(50,015,865)	51,196,516	151,696	-
New financial assets originated or purchased*	963,585,898	32,249,215	650,750	1,025,256	997,511,119
Financial assets that have been derecognised	(159,731,394)	(94,214,766)	(503,321)	-	(254,449,481)
Amortisation of discount on present value of ECLs	-	-	1,173,516	-	1,173,516
Other changes**	(221,878,720)	(171,673,655)	(15,084,546)	415,073	(408,221,848)
Effect of changes in foreign exchange rates	(3,701,693)	(3,645,467)	(154,905)	(132,649)	(7,634,714)
Balance at 31 December	**2,183,772,782**	**457,988,386**	**87,450,661**	**14,820,878**	**2,744,032,707**

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

*The movement comprise new financial assets created during the year including transfer of the loans from stage to stage

**The movement comprise, mainly, repayments and accrual of interest income

Movement in loss allowance for loans for the years ended 31 December 2019 and 2018 is as follows:

(In thousands of Kazakhstani Tenge)	2019				
	Stage 1 12-month expected credit losses	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**Credit-impaired assets at initial recognition**	**Total**
Balance at 1 January	7,302,977	28,758,594	16,022,364	6,698,035	58,781,970
Transfer to Stage 1	209,405	(161,746)	(47,659)	-	-
Transfer to Stage 2	(486,241)	679,850	(193,609)	-	-
Transfer to Stage 3	(8,593)	(10,385,583)	10,394,176	-	-
New financial assets originated or purchased	3,210,453	-	-	151,696	3,362,149
Net (recovery) charge of loss allowance	(3,525,335)	9,199,789	12,671,260	(2,258,123)	16,087,591
Write-offs	-	-	(185,411)	-	(185,411)
Amortisation of discount on present value of expected credit losses	-	-	1,173,516	-	1,173,516
Effect of changes in foreign exchange rates	(25,322)	(50,174)	(173,976)	(24,976)	(274,448)
Other changes	(10,147)	6,415	99,583	-	95,851
Balance at 31 December	**6,667,197**	**28,047,145**	**39,760,244**	**4,566,632**	**79,041,218**

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

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

Analysis of collateral

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

31 December 2019 *(In thousands of Kazakhstani Tenge)*	**Carrying amount of loans to customers**	**Fair value of collateral - for collateral assessed during the reporting period**	**Fair value of collateral – for collateral assessed before the reporting period**
Stage 1 (12-month expected credit losses)			
Cash and deposits	295,947	295,947	-
Government guarantees	33,157,624	33,157,624	-
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	443,996,879	-	-
Bank guarantees and guarantees received from legal entities (not rated)	236,582,027	-	-
Vehicles	659,478	563,793	95,685
Real estate	203,150,617	201,296,343	1,854,274
Equipment	4,102,469	3,413,677	688,792
Equity share	1,370,470	1,370,470	-
Other collateral	104,044,813	6,585,506	97,459,307
Future assets	226,942,305	46,437,845	180,504,460
Total Stage 1 (12-month expected credit losses)	**1,254,302,629**	**293,121,205**	**280,602,518**
Stage 2 (Life-time expected credit losses for credit unimpaired assets)			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	108,789,013	-	-
Vehicles	346,041	81,036	265,005
Real estate	135,780,688	69,969,835	65,810,853
Equipment	53,087,688	16,323,275	36,764,413
Total Stage 2 (Life-time expected credit losses for credit unimpaired assets)	**298,003,430**	**86,374,146**	**102,840,271**
Stage 3 (Life-time expected credit losses for credit impaired assets)			
Bank guarantees and guarantees received from legal entities (not rated)	3,500,127	-	-
Real estate	27,111,637	7,812,440	19,299,197
Equipment	13,525,332	13,525,332	-
No collateral or other credit enhancement	1,613,264	-	-
Total Stage 3 (Life-time expected credit losses for credit impaired assets)	**45,750,360**	**21,337,772**	**19,299,197**
POCI-assets			
Bank guarantees and guarantees received from legal entities (rated from B- to BBB+)	1,468,027	-	-
Vehicles	572,411	571,559	852
Real estate	7,381,748	6,295,599	1,086,149
Other collateral	832,060	831,606	-
Total POCI-assets	**10,254,246**	**7,698,764**	**1,087,001**

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

The tables above exclude overcollateralisation.

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

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

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

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

The fair value of collateral exceeded the carrying amount less impairment allowance by mortgage loans as at 31 December 2019 and 2018

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

	31 December 2019		31 December 2018	
(In thousands of Kazakhstani Tenge)	**Amount**	**%**	**Amount**	**%**
Mortgage	1,063,132,224	37.63	712,036,812	28.97
Oil and gas industry	613,019,059	21.70	662,621,709	26.96
Mining, metallurgical industry and mineral resources	510,762,865	18.08	491,478,803	19.99
Power energy and electricity distribution	271,162,155	9.60	254,157,707	10.34
Real estate	105,678,578	3.74	77,775,189	3.16
Telecommunications	61,029,363	2.16	51,251,914	2.08
Transportation and warehousing	60,812,429	2.15	58,551,453	2.38
Chemical industry	60,096,905	2.13	64,744,196	2.63
Food processing	20,772,994	0.74	21,556,736	0.88
Agriculture	20,351,985	0.72	18,737,624	0.76
Engineering	19,947,210	0.71	19,622,594	0.80
Construction	4,768,089	0.17	15,372,846	0.63
Wholesale and retail trade	266,794	0.01	242,098	0.01
Other	13,727,306	0.49	10,064,905	0.41
Gross loans to customers	**2,825,527,956**	**100.00**	**2,458,214,586**	**100.00**
Less: impairment allowance	(79,041,218)		(58,781,970)	
Total loans to customers	**2,746,486,738**		**2,399,432,616**	

Repossessed collateral. The Holding obtained certain assets by taking possession of collateral for loans to corporate customers and mortgage loans. As at 31 December 2019 the carrying amount of such assets was Tenge 10,848,263 thousand (31 December 2018: Tenge 2,548,929 thousand), the repossessed collateral comprises non-current assets held for sale of Tenge 10,242,005 thousand (31 December 2018: Tenge 1,602,314 thousand), investment property of Tenge 32,431 thousand (31 December 2018: Tenge 647,704 thousand) and other assets of Tenge 573,827 thousand (31 December 2018: Tenge 298,911 thousand).

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

Significant credit exposures. As at 31 December 2019 the Holding had 3 borrowers (31 December 2018: 3 borrowers) with the total amount issued to each borrower in excess of 10% of capital of the Holding. The gross value of these loans was Tenge 609,186,008 thousand (31 December 2018: Tenge 630,495,327 thousand) or 22.18% of loan portfolio less impairment allowance (31 December 2018: 26.28%). The outstanding debt of entities guaranteed by the state, subsidiaries of government entities or large commercial corporations listed on international stock markets or with a high-credit ratings comprised Tenge 587,411,543 thousand as at 31 December 2019 (31 December 2018: Tenge 482,253,083 thousand).

Refer to Note 38 for the estimated fair value of each class of loans to customers. Interest rate analysis of loans to customers is disclosed in Note 33. Information on related party transactions is disclosed in Note 40.

11 Investment securities

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Investment securities measured at amortised cost	404,640,341	196,791,828
Investment securities measured at fair value through other comprehensive income	368,156,729	386,900,238
Investment securities measured at fair value through profit or loss	8,379,588	17,980,067
Total investment securities	**781,176,658**	**601,672,133**

See Note 5 for credit quality of investment securities portfolio.

Investment securities measured at amortised cost

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Bonds of regional authorities (unrated)	190,390,451	151,082,668
NBRK notes (unrated)	114,646,493	17,697,456
Corporate bonds (unrated and B)	75,725,541	2,102,726
Bonds of Kazakhstani banks (B- to B+)	10,988,970	10,620,244
Bonds of Kazakhstani banks (POCI-asset)	8,122,368	7,356,768
Bonds of NWF "Samruk-Kazyna" JSC (BB- to BB+)	6,516,175	6,074,969
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3,478,266	5,375,762
Investment securities measured at amortised cost before impairment allowance	**409,868,264**	**200,310,593**
Less: impairment allowance	(5,227,923)	(3,518,765)
Total investment securities measured at amortised cost	**404,640,341**	**196,791,828**

Bonds of regional authorities. During 2019 the Holding purchased 108,841,460 bonds issued by the regional authorities at the value of Tenge 1,000 per one bond, which mature in 2021. The bonds bear a coupon rate of 0.35% p.a. Bonds were recognised at fair value of Tenge 92,978,316 thousand measured using a market rate of 8.65%-9.89% p.a. Loss from discount on difference between the nominal value and fair value in the amount of Tenge 15,863,144 thousand was compensated through decrease in the liability for government grant received to purchase these bonds (Note 22). During 2019 regional authorities repurchased bonds for the amount of Tenge 68,727,508 thousand in accordance with the schedule.

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

During 2019 the Holding acquired bonds of Fincraft Group LLP (formerly Novacom Corporation) (hereinafter referred to as the "Partner") in the amount of 40,000,000 units and 25,000,000 units of the second tranche at a price of Tenge 1,000 per one bond, with maturity in 2029 and coupon rates of 12.00% and 13.00%, respectively, in order to finance the investment project related to development of a land plot with a total area of 202 hectares, located in the city of Almaty, Turksibsky District, Kairat Village. At the moment of redemption of the bonds, the Partner had a long-term credit rating from S&P Global Ratings agency in foreign and national currency at level "B" with "stable" forecast. The Holding's management concluded that the coupon rates represent market rates at the time of initial recognition based on the external credit rating.

As part of the financing of this project, the following pledges were accepted as a collateral: 34% of the shares of BTA Bank JSC, 86.32% of the shares of Fincraft Resources JSC and a land plot in the city of Almaty The Holding's management performed analysis of future expected cash flows from the implementation of the investment project, as well as analysis Partner's financial position and market value of collateral as of the date acquisition of securities, and concluded that these bonds pass the SPPI test, and accordingly classified them into the category of financial assets at amortized cost.

Investment securities measured at fair value through other comprehensive income

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Bonds of other states (BBB- to AA)	138,633,191	16,734,899
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB-)	109,330,984	267,066,297
Bonds of NWF "Samruk-Kazyna" JSC (BB- to BBB-)	41,508,582	32,730,003
Corporate bonds (B+ to BB+)	41,022,364	6,838,315
Bonds of banks from OECD countries (BBB- to AA)	19,882,000	15,826,478
Bonds of Kazakhstani banks (B to BB)	17,774,394	28,668,144
Bonds of regional authorities (unrated)	-	13,023,786
NBRK notes (unrated)	-	5,993,282
Total debt investment securities measured at fair value through other comprehensive income	**368,151,515**	**386,881,204**
Corporate shares	5,214	19,034
Total investment securities measured at fair value through other comprehensive income	**368,156,729**	**386,900,238**

As at 31 December 2019 bonds of the Ministry of Finance of the Republic of Kazakhstan measured at fair value through other comprehensive income with the carrying amount of Tenge 535,607 thousand are pledged under repurchase agreements (Note 21), and with the carrying amount of Tenge 45,212,811 thousand are pledged as a part of obtaining a state guarantee for a loan with Asian Development Bank.

Investment securities measured at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	31 December 2019	31 December 2018
Bonds of Kazakhstani banks (B- to B+)	3,058,406	3,002,714
Corporate bonds (unrated)	2,675,110	4,239,698
Bonds of the Ministry of Finance of the Republic of Kazakhstan (BBB-)	1,435,984	948,880
Bonds of Kazakhstani banks (BB- to BB+)	1,210,088	9,788,775
Total investment securities measured at fair value through profit or loss	**8,379,588**	**17,980,067**

***Corporate bonds*.** As at 31 December 2019 corporate bonds caption includes bonds of Special Finance Company DSFK LLP in the amount of Tenge 1,741,520 thousand (31 December 2018: Tenge 1,794,560 thousand). On 7 November 2017 the Government of the Republic of Kazakhstan, SWF "Samruk-Kazyna" JSC, Baiterek NMH JSC, Holding Kazagro JSC, Bank RBK JSC and Kazakhmys LLP signed the Framework Agreement, in accordance with whose terms and conditions, the deposits with Bank RBK JSC were restructured into the collateralised debt obligations of Special Finance Company DSFK LLP, to which the non-performing loans of Bank RBK JSC have been transferred. This portfolio of transferred non-performing loans secures the issued debt obligations of Special Financial Company "DSFK" LLP. As at the date of signing the Framework Agreement the Holding's balances on the deposits and current accounts with Bank RBK JSC amounted to Tenge 11,292,008 thousand, from which Tenge 11,258,322 thousand were restructured. The fair value of these securities as at 31 December 2017 amounted to Tenge 1,723,614 thousand and represented the fair value of the guarantee of Kazakhmys LLP provided to the holders of these securities. As at 31 December 2017 these debt obligations were classified as investment securities available for sale. Based on the results of the restructuring, the Holding recognised an impairment loss of Tenge 5,359,039 thousand on the deposit accounts and Tenge 213,229 thousand on current accounts in the consolidated statement of profit or loss and Tenge 3,960,043 thousand in the consolidated statement of changes in equity. Given the fact that restructuring was performed by the order of the Shareholder by means of adopting the respective decree of the Government to approve the above-mentioned Master Agreement, a part of the impairment loss was recognised directly in equity. As at transition to IFRS 9, bonds of Special Finance Company DSFK LLP were classified in the investment securities measured at fair value through profit or loss.

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

	2019			
(In thousands of Kazakhstani Tenge)	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	POCI	Total
Balance as at 1 January	**7,633**	**2,102,726**	**1,408,406**	**3,518,765**
Impairment allowance charge during the year (Note 29)	1,709,158	-	-	1,709,158
Balance as at 31 December	**1,716,791**	**2,102,726**	**1,408,406**	**5,227,923**

	2018			
(In thousands of Kazakhstani Tenge)	Stage 1 12-month ECL	Stage 3 Lifetime ECL credit-impaired	POCI	Total
Balance as at 1 January	**-**	**7,132,406**	**-**	**7,132,406**
Impact of adopting IFRS 9 (reclassification)	-	(4,463,796)	-	(4,463,796)
Impact of adopting IFRS 9 (measurement)	46,629	-	-	46,629
Impairment allowance (reversal)/charge during the year (Note 29)	(38,996)	(71,484)	1,408,406	1,297,926
Write-offs	-	(494,400)	-	(494,400)
Balance as at 31 December	**7,633**	**2,102,726**	**1,408,406**	**3,518,765**

Interest rate analysis of investment securities available for sale is disclosed in Note 33. Information on debt investment securities available for sale to related parties is disclosed in Note 40.

12 Finance lease receivables

The components of net investments in finance lease as at 31 December 2019 and 2018 are as follows:

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Less than one year	55,811,167	43,814,628
From 1 to 2 years	62,576,330	41,870,533
From 2 to 3 years	49,513,020	40,718,821
From 3 to 4 years	41,333,930	34,005,009
From 4 to 5 years	41,882,217	27,706,081
More than five years	282,743,859	241,636,621
Minimum lease payments	**533,860,523**	**429,751,693**
Less: unearned finance income		
Less than one year	(21,769,627)	(17,036,187)
From one to five years	(85,451,424)	(66,049,817)
More than five years	(62,639,834)	(62,601,772)
Less unearned finance income, total	**(169,860,885)**	**(145,687,776)**
Loss allowance	(13,383,804)	(12,642,878)
Net investment in finance lease	**350,615,834**	**271,421,039**
Embedded derivative financial instrument at fair value through profit or loss	6,651,931	3,834,190
Finance lease receivables	**357,267,765**	**275,255,229**

As at 31 December 2019 the Holding has 10 lessees or 4 groups of related lessees, whose balances make 26% of total carrying amount of the lease receivables. As at 31 December 2019 the total carrying amount of receivables from these lessees is Tenge 91,678,358 thousand (31 December 2018: Tenge 55,601,577 thousand).

As at 31 December 2019 up to 82% of the total carrying amount relate to the group of National Company “Kazakhstan Temir Zholy” JSC (“KTZh”) and the company, which is economically dependent on KTZh, for the total amount of Tenge 74,865,760 thousand (2018: 73% of carrying amount in the amount of Tenge 40,491,309 thousand), that results in certain risk of credit concentration due to the nature of their business activity and industry specifics.

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Leases to large corporates	99,399,088	62,771,879
Leases to small- and medium-sized companies	95,965,677	58,619,630
Leases to individuals	168,634,873	162,672,408
Loss allowance	(13,383,804)	(12,642,878)
Net investment in finance lease	**350,615,834**	**271,421,039**
Embedded derivative financial instrument at fair value through profit or loss	6,651,931	3,834,190
Finance lease receivables	**357,267,765**	**275,255,229**

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

	2019			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**3,196,544**	**528,923**	**8,917,411**	**12,642,878**
Transfer to Stage 1	6,750	(5,966)	(784)	-
Transfer to Stage 2	(316,633)	339,272	(22,639)	-
Transfer to Stage 3	(152,480)	(223,075)	375,555	-
Impairment allowance (reversal)/charge during the year (Note 29)	301,409	(155,039)	1,685,966	1,832,336
Transfer to other assets	-	-	(471,671)	(471,671)
Transfer of allowance to other assets for foreclosed leased items	-	-	(753,015)	(753,015)
Other movements	901	23	132,352	133,276
Balance as at 31 December	**3,036,491**	**484,138**	**9,863,175**	**13,383,804**

	2018			
(In thousands of Kazakhstani Tenge)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance as at 1 January	**7,024,506**	**-**	**-**	**7,024,506**
Impact of adopting IFRS 9	(3,661,255)	166,667	4,448,248	953,660
Impairment allowance (reversal)/charge during the year (Note 29)	(166,707)	362,256	4,405,928	4,601,477
Transfer to other assets	-	-	(51,614)	(51,614)
Other movements	-	-	114,849	114,849
Balance as at 31 December	**3,196,544**	**528,923**	**8,917,411**	**12,642,878**

Increase in financing of lease transactions for 2019 caused increase in gross carrying amount of lease portfolio for the total amount of Tenge 100,675,594 thousand and appropriate increase in loss allowance for the portfolio by Tenge 2,614,718 thousand.

Decrease in the receivables of gross carrying amount of Tenge 24,348,457 thousand resulted in decrease in loss allowance for the portfolio by Tenge 2,588,406 thousand.

Embedded financial derivative instruments

The repayment of investment in finance leases of Tenge 7,908,031 thousand and Tenge 14,980,142 thousand is in part linked to any appreciation in the rate of the US Dollar against the Tenge and Russian Ruble against Tenge, respectively (2018: Tenge 9,399,558 thousand and Tenge 16,628,249 thousand is in part linked to any appreciation in the rate of the US Dollar against the Tenge and Russian Ruble against Tenge, respectively). If these foreign currencies appreciate, the amount receivable is increased by the respective index. If these foreign currencies depreciate, the amount receivable is not adjusted below the original outstanding amount in Tenge. Basis for measurement of the embedded derivative includes all future payments under the finance lease agreements and contingent liabilities tied up to the US Dollar and Russian Ruble appreciation, and as at 31 December 2019 and are Tenge 10,100,626 thousand and Tenge 23,639,588 thousand, respectively (31 December 2018: Tenge 12,248,171 thousand and Tenge 25,558,549 thousand, respectively).

These embedded derivative financial instruments are recorded at fair value in the consolidated financial statements. The estimated amount of the embedded derivative, which is included in finance lease receivables as at 31 December 2019 is Tenge 6,651,931 thousand (31 December 2018: Tenge 3,834,190 thousand). Fair value is calculated using a model based on the Black-Scholes option pricing model (Note 38).

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

- risk-free rates are estimated using the yield curves for respective currencies and range 1.58% to 1.85% for US Dollars, from 6.43% to 6.73% for Russian Ruble and from 9.06% to 9.15% for Tenge (31 December 2018: 2.36% to 2.79% for US Dollars, from 8.68% to 11.71% for Russian Ruble and from 8.04% to 8.68% for Tenge);
- volatility in the model is defined based on the historical six-month observations of fluctuations in the actual foreign exchange rates;
- the model does not include transaction costs.

If the spreads between Tenge and US Dollars risk-free rates narrows by 0.5% under all contracts, the fair value of the derivative would decrease by Tenge 134,634 thousand. If the spreads between Tenge and Russian Ruble risk-free rates narrows by 0.5% under all contracts, the fair value of the derivative would increase by Tenge 311,139 thousand. Decrease of volatility of US Dollars rates by 50% would not result in decrease of the fair value of embedded derivative. Decrease of volatility of Russian Ruble rates by 50% would result in decrease of the fair value of embedded derivative by Tenge 16,025 thousand.

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2019:

(In thousands of Kazakhstani Tenge)	**Stage 1 12-month expected credit losses**	**Stage 2 Life-time expected credit losses for credit unimpaired assets**	**Stage 3 Life-time expected credit losses for credit impaired assets**	**At FVPL (embedded financial derivative)**	**Total**
Finance lease receivables					
- not overdue	308,024,572	8,016,560	4,074,741	6,651,931	326,767,804
- overdue less than 30 days	14,121,453	103,576	14,167,493	-	28,392,522
- overdue more than 30 days and less than 90 days	4,918	5,349,798	269,163	-	5,623,879
- overdue more than 90 days and less than 360 days	-	-	7,937,485	-	7,937,485
- overdue more than 1 year	-	-	1,929,879	-	1,929,879
Gross finance lease	**322,150,943**	**13,469,934**	**28,378,761**	**6,651,931**	**370,651,569**
Loss allowance	(3,036,491)	(484,138)	(9,863,175)	-	(13,383,804)
Total finance leases	**319,114,452**	**12,985,796**	**18,515,586**	**6,651,931**	**357,267,765**

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

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

Analysis of collateral. The following tables provides information on collateral, leased assets and other credit enhancements related to finance lease receivables (net of loss allowance and excluding embedded financial derivative instrument) as at 31 December 2019, by types of collateral:

(In thousands of Kazakhstani Tenge)	**Finance lease receivables, carrying amount**	**Fair value of collateral - for collateral assessed as of reporting date**
Lease under which ECL are measured on the basis of 12-month ECL:		
Real estate	159,951,128	159,951,128
Motor vehicles	115,186,711	115,186,711
Equipment	27,279,858	27,279,858
Guarantees from legal entities (rated from BB- to BBB-)	16,306,103	-
No collateral or other credit enhancement	390,652	-
Total lease under which the ECL are within 12 month:	**319,114,452**	**302,417,697**
Lease under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets:		
Real estate	3,712,291	3,712,291
Motor vehicles	8,340,927	8,340,927
Equipment	741,580	-
No collateral or other credit enhancement	190,998	-
Total lease, under which ECL are measured on the basis of lifetime ECL for not credit-impaired assets	**12,985,796**	**12,053,218**
Lease under which ECL are measured on the basis of lifetime ECL for credit-impaired assets:		
Real estate	9,060,121	2,654,403
Motor vehicles	2,636,013	2,636,013
Equipment	6,819,452	6,819,452
Total lease, under which ECL are measured on the basis of lifetime ECL for credit-impaired assets	**18,515,586**	**12,109,868**
Total finance lease receivable	**350,615,834**	**326,580,783**

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment allowance, by types of collateral as at 31 December 2018:

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

The tables above exclude overcollateralisation.

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

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

The following table sets out information about finance lease receivables, for which no loss allowance has been recognised due to collateral provided securing these receivables as at 31 December 2019:

				Fair value of collateral				
(In thousands of Kazakhstani Tenge)	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Cash and deposits**	**Vehicles**	**Real estate**	**Other collateral (equip-ment)**	**Total**
Finance lease receivables	15,123,357	-	15,123,357	-	10,073,745	939,283	4,110,329	15,123,357
Total	**15,123,357**	**-**	**15,123,357**	**-**	**10,073,745**	**939,283**	**4,110,329**	**15,123,357**

The following table sets out information about finance lease receivables, for which no loss allowance has been recognised due to collateral provided securing these receivables as at 31 December 2018:

				Fair value of collateral				
(In thousands of Kazakhstani Tenge)	**Gross carrying amount**	**Loss allowance**	**Carrying amount**	**Cash and deposits**	**Vehicles**	**Real estate**	**Other collateral (equip-ment)**	**Total**
Finance lease receivables	16,983,657	-	16,983,657	-	10,592,829	1,577,443	4,813,385	16,983,657
Total	**16,983,657**	**-**	**16,983,657**	**-**	**10,592,829**	**1,577,443**	**4,813,385**	**16,983,657**

Foreclosed leased items

During the year ended 31 December 2019 the Holding obtained foreclosed leased items for the amount of Tenge 956,836 (2018: Tenge 760 thousand).

13 Property, plant and equipment

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

(In thousands of Kazakhstani Tenge)	**Buildings**	**Office and computer equipment**	**Construc-tion in progress**	**Motor vehicles**	**Total**
Cost as at 1 January 2018	7,718,698	8,849,577	128,262	630,149	17,326,686
Accumulated depreciation	(1,376,358)	(5,404,400)	(63,388)	(409,690)	(7,253,836)
Carrying amount at 1 January 2018	**6,342,340**	**3,445,177**	**64,874**	**220,459**	**10,072,850**
Additions	6,145,803	1,972,466	-	212,741	8,331,010
Transfer to non-current assets held for sale (or disposal groups)	(99,366)	(25,612)	-	(1,956)	(126,934)
Disposals	(1,076,884)	(46,982)	-	(8,299)	(1,132,165)
Depreciation charges	(180,282)	(1,282,300)	-	(73,320)	(1,535,902)
Transfers to investment property	(322,665)	-	-	-	(322,665)
Impairment charge	-	(42,780)	(63,387)	-	(106,167)
Other	20,052	10,323	(1,487)	(1,969)	26,919
Cost at 31 December 2018	11,902,430	9,869,473	126,775	752,881	22,651,559
Accumulated depreciation	(1,073,432)	(5,839,181)	(126,775)	(405,225)	(7,444,613)
Carrying amount as at 31 December 2018	**10,828,998**	**4,030,292**	**-**	**347,656**	**15,206,946**
Additions	1,464,069	2,052,880	-	-	3,516,949
Transfer from non-current assets held for sale (or disposal groups)	856,850	-	-	-	856,850
Disposals	-	(261,218)	-	(10,291)	(271,509)
Depreciation charges	(529,067)	(1,411,655)	-	(92,192)	(2,032,914)
Transfers to investment property	(110,623)	-	-	-	(110,623)
Impairment charge	-	(483)	-	-	(483)
Other	50,712	(7,124)	-	-	43,588
Cost as at 31 December 2019	14,312,160	11,355,879	126,775	589,713	26,384,527
Accumulated depreciation	(1,751,221)	(6,953,187)	(126,775)	(344,540)	(9,175,723)
Carrying amount as at 31 December 2019	**12,560,939**	**4,402,692**	**-**	**245,173**	**17,208,804**

14 Non-current assets held for sale

(In thousands of Kazakhstani Tenge)	31 December 2019	31 December 2018
Property of Textiles.kz JSC	6,762,656	7,357,481
Property of Centre for Engineering and Technology Transfer JSC	3,221,870	-
Property of Ili Cardboard and Paper Mill (IKBK) JSC	2,050,152	-
Property of ACIG JSC	1,992,247	-
Property of Semipalatinsk leather and fur Plant LLP	1,235,710	-
Property of KazRabberRecycling JSC	990,185	-
Property of ILNO Group LLP	908,279	908,279
Ready-constructed apartments and parking lots	834,646	20,857,019
Property of Nimex LLP	742,824	743,313
Property of Smirnovsky Elevator LLP	592,621	-
Property of Asia Ceramic LLP	384,216	447,304
Property of COD Petropavl-Astyk LLP	357,581	-
Property of Bogvi LLP	317,364	815,004
Property of Yuzhpolymetal PC LLP	282,535	-
Property of Agricultural holding Zhanabas LLP	85,439	134,945
Property of LAD LLP	58,528	114,030
Property of Alatau Technopark LLP	-	2,508,038
Property of Bulaevsky Elevator LLP	-	1,260,407
Property of Astana-Contract-Paragon LLP	-	1,005,009
Property of Kazakhstan Invest Komir JSC	-	341,908
Property of High Technology Foundation Areket JSC	-	80,246
Other property, plant and equipment	199,399	1,036,265
Other	857,473	708,963
Total non-current assets held for sale	**21,873,725**	**38,318,211**

The ready-constructed apartments and parking lots constructed as part of the EXPO-2017 state program for further sale to final buyers. These assets have been transferred from investment property and will be further accounted for at the lower of the fair value less selling expenses and carrying amount. The Holding's subsidiary BD JSC's policy provides the sale of said assets as soon as practicable. During 2019 the Holding sold 1,133 apartments and 680 parking spaces located on the territory of EXPO - 2017 with a total book value of Tenge 20,040,164 thousand, the net profit from the sale of these assets amounted to Tenge 3,918,055 thousand, (2018: sold 142 apartments and 102 parking spaces with a total book value of Tenge 2,307,903 thousand, the net profit from the sale of the assets amounted to Tenge 1,710,297 thousand).

During 2019 the Holding, as part of the enforcement proceedings, accepted property under the Nastyusha project - Kiyaly Astyk LLP with a book value of Tenge 759,599 thousand, Petropavl Astyk LLP with a book value of Tenge 357,581 thousand, Smirnovsky elevator LLP with a book value Tenge 592,621 thousand, as well as property under the project "Semipalatinsk leather and fur factory" with a book value of Tenge 1,235,710 thousand, property under the project "Ili Cardboard and Paper Mill" with a book value of Tenge 2,050,152 thousand, property under the project "Yuzhpolimetal" with book value of Tenge 282,535 thousand, the property under the project "Kaz.RabberRecycling" with book value Tenge 990,185 thousand, the property under the project ACIG with book value Tenge 1,992,247 thousand.

During 2019 the Holding accepted property with a total value of Tenge 10,242,005 thousand. The carrying amount of assets accepted as at 31 December 2019 amounted to Tenge 7,501,031 thousand. An impairment on these assets in the amount of Tenge 1,981,375 thousand was recognized as losses in other operating expenses. The property of Kiyaly Astyk LLP with a carrying value of Tenge 759,599 thousand was realized in July 2019.

In accordance with a decision of the Sole Shareholder and the resolution of the regional authority of Almaty city #2/369 dated 7 June 2019, during 2019 the Holding transferred 100% of the interest in the authorized capital of Alatau Technopark LLP on the basis of a gift agreement #Д-19/04 dated 7 June 2019 and recognised the transaction in the amount of Tenge 2,313,566 thousand in retained earnings for the year as the effect of a transaction with the Sole Shareholder.

During 2019, in accordance with the road map programme dated 27 September 2019, the Sole Shareholder approved the decision to transfer 100% interest in the authorised capital of the Centre for Engineering and Technology Transfer JSC to Zerde National Infocommunication Holding JSC by concluding gratuitous agreement on transfer. According to this plan, as at 31 December 2019 the Holding has reclassed the assets and liabilities of Centre for Engineering and Technology Transfer JSC as the assets held for sale.

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

The Holding's management committed to sell the foreclosed property. Accordingly, this property is recognised as non-current asset held for sale. Efforts to sell the disposal group have commenced, and a sale is expected in 2020.

15 Other financial assets

(In thousands of Kazakhstani Tenge)	31 December 2019	31 December 2018
Instalment payments receivables	14,744,911	14,588,445
Receivables on banking activities	2,979,171	1,771,342
Reinsurance assets	1,084,888	701,756
Loan commitment fee prepaid	851,684	855,183
Fee and commission income accrued	794,988	348,482
Interest unpaid on finance leases under which leased items were foreclosed	471,671	-
Insurance receivables	329,165	520,246
Restricted cash	164,869	3,248,144
Accrued fines and penalties	8,628	2,726
Receivables on purchase of loan portfolios	7,848	7,147
Other	1,749,022	1,489,224
Other financial assets before impairment allowance	**23,186,845**	**23,532,695**
Less: impairment allowance	(2,940,645)	(2,352,276)
Total other financial assets	**20,246,200**	**21,180,419**

Instalment payments receivables. As at 31 December 2019, instalment payments receivables comprise mostly receivables from facilities sold in instalments, which are recognised at fair value at initial recognition by discounting customer contractual debt using estimated market rates in the amount of Tenge 13,766,943 thousand (2018: Tenge12,509,444 thousand).

Movements in the impairment allowance of other financial assets during 2019 and 2018 are as follows:

	2019			
(In thousands of Kazakhstani Tenge)	Stage 1 12-month ECL	Stage 2 Lifetime ECL credit unimpaired assets	Stage 3 Lifetime ECL credit-impaired	Total
Balance as at 1 January	**1,364,551**	**11,042**	**976,683**	**2,352,276**
Transfer to Stage 3	(1,660)	-	1,660	-
Impairment allowance charge during the year (Note 29)	717,371	(6,519)	(506,281)	204,571
Transfer from finance leases receivables	-	-	471,671	471,671
Write-offs	(75,259)	-	(6,259)	(81,518)
Other	(5,280)	(118)	(956)	(6,354)
Balance as at 31 December	**1,999,723**	**4,405**	**936,518**	**2,940,646**

	2018			
(In thousands of Kazakhstani Tenge)	Stage 1 12-month ECL	Stage 2 Lifetime ECL credit unimpaired assets	Stage 3 Lifetime ECL credit-impaired	Total
Balance as at 1 January	**-**	**-**	**1,303,807**	**1,303,807**
Impact of adopting IFRS 9	1,766,823	16,649	(990,165)	793,307
Impairment allowance charge during the year (Note 29)	245,898	(3,761)	646,782	888,919
Effect of changes in foreign exchange rates	6,821	(1,846)	33,206	38,181
Write-offs	(654,991)	-	(16,947)	(671,938)
Balance as at 31 December	**1,364,551**	**11,042**	**976,683**	**2,352,276**

Analysis by credit quality of other financial assets at 31 December 2019 is as follows:

(In thousands of Kazakhstani Tenge)	**Receivables**	**Restricted cash**	**Fee and commission income accrued**	**Insurance receivables and reinsurance assets**	**Other**	**Total**
Neither past due	15,434,375	50,000	793,023	1,379,908	4,240,345	21,897,651
Past due						
- less than 30 days overdue	-	-	-	-	472,237	472,237
- 30 to 90 days overdue	8,000	-	-	21,189	14,891	44,080
- 90 to 180 days overdue	-	-	-	4,127	1,769	5,896
- 90 to 360 days overdue	40,990	-	1,965	8,829	12,840	64,624
- over 360 days overdue	121,078	114,869	-	-	466,410	702,357
Less: impairment allowance	(1,677,417)	(114,869)	(54,481)	(12,304)	(1,081,574)	(2,940,645)
Total other financial assets	**13,927,026**	**50,000**	**740,507**	**1,401,749**	**4,126,918**	**20,246,200**

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

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

16 Other assets

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Advances for equipment to be transferred under finance lease agreements	138,736,602	70,677,802
Assets to be transferred under finance lease agreements	17,096,694	14,267,863
Inventory and consumables	8,999,679	28,841,373
Prepayments to suppliers for goods and services	2,317,060	2,142,133
Foreclosed assets under finance lease	2,260,183	1,464,457
Construction in progress	1,534,061	5,643,479
Repossessed collateral	903,392	807,231
Prepaid taxes other than on income	743,419	993,654
Prepayments for construction in progress	199,481	5,618,688
Prepaid expenses and commissions for loans received	144	661,251
Other	758,451	860,084
Other assets before impairment allowance	**173,549,166**	**131,978,015**
Less: impairment allowance	(7,590,288)	(1,609,802)
Total other assets	**165,958,878**	**130,368,213**

Advances for equipment to be transferred under finance lease agreements. The sum of advances for equipment to be transferred under finance lease agreements comprises the advances paid to suppliers in the amount of Tenge 107,306,831 thousand (2018: Tenge 65,904,605 thousand) and cash deposited under irrevocable letters of credit in the amount of Tenge 31,429,771 thousand (2018: Tenge 4,773,197 thousand).

Assets to be transferred under finance lease agreements. Assets to be transferred under finance lease contracts comprise the equipment and residential complexes purchased during the reporting period which the Holding is planning to transfer to the lessees in 2020.

As at 31 December 2019, the major projects acquired by the Holding are located in Aktau, Kostanay and Aktobe cities for the total amount of Tenge 1,482,688 thousand (2018: Aktobe city for the total amount of Tenge 2,173,940 thousand).

Inventory. The Holding has available ready-constructed apartments in residential properties in eleven cities of Kazakhstan under Nurly Zher State Programme for Infrastructure Development with total carrying amount of Tenge 8,514,315 thousand (2018: available ready-constructed apartments in residential properties in fourteen cities of Kazakhstan Tenge 28,235,712 thousand). The Holding intends to sell the property in a short term to its individual depositors and to other individuals by means of lease-purchase agreements.

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

Movements in the impairment allowance of other assets during 2019 and 2018 are as follows:

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Balance as at 1 January	**1,609,802**	**2,382,431**
Net charge of impairment allowance	6,280,055	245,386
Amounts written off during the year as uncollectible	(299,369)	(980,785)
Other	(200)	(37,230)
Impairment allowance at 31 December	**7,590,288**	**1,609,802**

As at 31 December 2019, an impairment allowance of Tenge 5,451,754 thousand was recognised for advances paid under finance lease agreement in the amount of Tenge 6,487,178 thousand with respect to one supplier (31 December 2018: nil), which took into account the terms of restructuring, the financial condition of the counteragent and availability of finished goods for transfer. The Holding was waiting for the results of the agreement to be achieved between the lessee and supplier on new terms of supply, which had to take into account the increase in price and timing of delivery of leased items, and therefore, accounts receivable were not claimed to be paid by the supplier and no impairment allowance was charged in 2018. In 2019, due to the lessee's disagreement with new terms of supply, the Holding claimed for the supplier to pay off total of the receivables.

In calculating the allowance for advances paid under finance lease agreements, the following assumptions were made:

- the supplier of rail cars (the counteragent) was internally rated D, based on the analysis of its financial position and considering the delay in delivery of leased items;
- the amount of loss, net of value of finished goods to be shipped, is equal to 84% of the advance paid or Tenge 5,451,754 thousand.

17 Customer accounts

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
State and public organisations		
- Current accounts	117,857	88,546
Other legal entities		
- Advances received as collateral for customer commitments	4,420,840	9,281,932
- Current accounts	2,458,004	1,094,247
Individuals		
- Term deposits	520,990,279	426,289,096
- Saving deposits in lieu of future mortgage acquisitions	285,840,765	199,313,288
- Current accounts/on demand accounts	20,257,414	13,405,236
Total customer accounts	**834,085,159**	**649,472,345**

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

18 Debt securities issued

(In thousands of Kazakhstani Tenge)	31 December 2019	31 December 2018
Other Tenge-denominated bonds	869,705,274	671,772,866
US dollars-denominated Eurobonds	534,479,515	529,437,780
Tenge-denominated Eurobonds	200,477,811	199,976,413
Mortgage bonds	44,890,316	38,599,487
Total debt securities issued	**1,649,552,916**	**1,439,786,546**

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

(In thousands of Kazakhstani Tenge)	Placement date	Date of maturity	Face value 2019	Face value 2018	Carrying amount 2019	Carrying amount 2018
KZ2C0Y20F251 (not listed)	25.03.2016	25.03.2036	202,000,000	202,000,000	66,146,402	61,835,624
KZP01Y20E920 (not listed)	13.03.2015, 31.03.2015	13.03.2035	170,000,000	170,000,000	65,470,500	61,549,827
KZ2C0Y20E676 (not listed)	15.04.2014	15.04.2034	100,000,000	100,000,000	41,154,826	38,711,102
KZ2C0Y20E775 (not listed)	10.12.2014	10.12.2034	100,000,000	100,000,000	39,592,832	37,249,114
KZP01Y30E879 (not listed)	21.01.2015, 16.02.2015	21.01.2045	92,500,000	92,500,000	18,619,962	17,513,584
KZ2C0Y15G093	20.12.2018	27.12.2033	77,700,000	77,700,000	81,452,262	77,782,017
KKZ2C00003580	25.05.2016	25.05.2026	65,000,000	65,000,000	65,875,707	65,880,907
KZPO4M87F618 (not listed)	28.12.2018, 21.01.2019	03.12.2026	50,295,700	44,544,622	30,804,829	25,246,220
KZ2C0Y20E742 (not listed)	30.10.2014	30.10.2034	50,000,000	50,000,000	19,563,509	18,382,517
KZ2C0Y15F871 (not listed)	25.10.2018	on demand	40,150,000	40,150,000	40,150,736	40,150,736
KZ2C00005916	16.07.2019	16.07.2024	40,000,000	-	41,865,659	-
KZ2C00006088	28.06.2019	28.06.2029	40,000,000	-	41,921,111	-
KZP02Y20E73 (not listed)	26.03.2015	26.03.2035	38,095,125	38,095,125	17,123,286	31,292,745
KZ2C00004190	03.12.2019	03.12.2029	30,000,000	-	29,716,778	-
KZ2C00003911	06.06.2017	06.06.2024	28,000,000	28,000,000	28,176,862	28,176,285
KZ2C00006203	29.08.2019	28.08.2029	25,000,000	-	25,826,042	-
KZ2C00005908	18.06.2019	18.06.2026	23,484,000	-	23,551,770	-
KZP01Y20E730 (not listed)	15.07.2014	15.07.2034	23,000,000	23,000,000	19,175,385	21,806,475
KZP02Y30E877 (not listed)	29.01.2016	29.01.2046	22,500,000	22,500,000	4,628,911	4,367,947
KZP01Y09F615 (not listed)	19.10.2017	29.03.2026	21,100,000	21,100,000	12,469,501	11,469,544
KZ2C00003002	29.12.2014	29.12.2024	20,000,000	20,000,000	20,000,651	20,001,142
KZ2C00003903	31.05.2017	31.05.2022	20,000,000	20,000,000	20,162,478	20,159,793
KZ2C00006286	07.10.2019	07.10.2039	20,000,000	-	2,962,155	-
KZ2C0Y15F871	17.07.2019	17.07.2026	20,000,000	-	20,919,362	-
KZ2C00003648	01.08.2016	01.08.2026	17,500,000	17,500,000	18,502,142	18,503,260
KZPO3M89F616 (not listed)	16.10.2018	03.12.2026	15,004,300	15,004,300	8,835,917	8,117,696
KZ2C00003713	28.07.2016	28.07.2031	15,000,000	15,000,000	15,944,506	15,945,967
KZP02Y20E928 (not listed)	29.09.2015	29.09.2035	15,000,000	15,000,000	5,512,678	5,178,889
KZ2C0Y20F236 (not listed)	03.02.2016	03.02.2036	15,000,000	15,000,000	5,283,854	4,958,080
KZP03Y20E736 (not listed)	09.03.2016	09.03.2036	15,000,000	15,000,000	4,271,628	3,959,413
KZPO2M92F612 (not listed)	07.12.2018	03.12.2026	10,600,000	10,600,000	6,493,410	6,002,970
KZ2C00004000	22.08.2017	22.08.2032	8,836,000	8,836,000	9,179,384	9,179,859
KZ2C00004018	23.08.2017	23.08.2030	8,836,000	8,836,000	9,180,939	9,181,457
KZ2C00004026	24.08.2017	24.08.2028	8,836,000	8,836,000	9,169,300	9,169,696
			1,448,437,125	**1,244,202,047**	**869,705,274**	**671,772,866**

In 2019, the Holding issued the bonds for the total amount of Tenge 202,235,078 thousand:

- unsecured coupon bonds with total nominal value of Tenge 40,000,000 thousand (KZ2C00006088) and of Tenge 25,000,000 thousand (KZ2C00006203) issued with a coupon rate of 9.50% p.a. and 9.75% p.a. respectively which mature in 2029. The funds were used to finance purchase of debt securities issued of Fincraft Group LLP (Note 11);

- unsecured coupon bonds with nominal value of Tenge 5,751,078 thousand (KZPO4M87F618) issued with a coupon rate of 0.15% p.a. and maturity in 2026. The funds were used to finance purchase of debt securities issued by the local executive authorities of the regions (cities of Nur-Sultan and Almaty) for the purpose of construction of the housing real estate and its further purchase;

- unsecured coupon bonds with nominal value of Tenge 20,00,000 thousand (KZ2C00006286) issued with a coupon rate of 0.15% p.a. and maturity in 2039. The funds were used to finance the buyers of motor vehicles manufactured in Kazakhstan;

- unsecured coupon bonds with nominal value of Tenge 20,00,000 thousand (KZ2C0Y15F871) issued with a coupon rate of 10.27% p.a. and maturity in 2026;

- unsecured coupon bonds with nominal value of Tenge 23,484,000 thousand (KZ2C00005908) issued with a coupon rate of 10.00% p.a. and maturity in 2026;

- unsecured coupon bonds with nominal value of Tenge 40,00,000 thousand (KZ2C00005916) issued with a coupon rate of 10.27% p.a. and maturity in 2024;

- unsecured coupon bonds with nominal value of Tenge 30,00,000 thousand (KZ2C00004190) issued with a coupon rate of 11.00% p.a. and maturity in 2029;

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

- unsecured coupon bonds with nominal value of Tenge 77,700,000 thousand (KZ2C0Y15G093) issued on 20 December 2018 with a coupon rate of 9.50% p.a. and maturity in 2033. The funds will be used to finance existing and new programs of HCSBK JSC and to issue mortgage loans through second tier banks.

- unsecured coupon bonds with total nominal value of Tenge 70,148,922 thousand (KZPO4M87F618, KZPO3M89F616 and KZPO2M92F612) issued on 16 October 2018, 7 December 2018 and 28 December 2018 with a coupon rate of 0.15% p.a. which mature in 8 years. The funds will be used to finance purchase of debt securities issued by the regional authorities of the regions (cities of Nur-Sultan (Astana) and Almaty) for the purpose of construction of the housing real estate and its further purchase;

- unsecured coupon bonds with nominal value of Tenge 40,150,000 thousand (KZ2C0Y15F871) issued on 25 October 2018 with a coupon rate of 0.01% p.a. and maturity on demand within 15 years. The funds will be used to finance the construction of the Saryarka gas pipeline.

In accordance with the above-mentioned programs of state support and development, the Council for Management of the National Fund of the Republic of Kazakhstan sets terms and conditions for financing in the form of interest rates, financing schedule and related requirements for the Holding and commercial banks acting as program agents and end-use borrowers. In addition, the Government has approved special conditions, under which the Holding may provide further financing to the commercial banks and companies. For this reason, the difference that has arisen upon valuation of bonds purchased by the NBRK - KZPO4M87F618 and KZ2C00006286 (2018: KZPO4M87F618, KZPO3M89F616 and KZPO2M92F612) on behalf of the National Fund of the Republic of Kazakhstan in 2019 at the fair value at the placement date, was recognised as a government subsidy, as the NBRK acted in the interests of the Government and not the Holding's ultimate shareholder, because all terms and conditions of the loans have been agreed on at the Government level in the resolution concerning financing of the above-mentioned programs, and the Government does not expect any direct economic benefits from these programs in its capacity of the Holding's shareholder as the ultimate beneficiaries are the subjects specified by the programs. Thus, in 2019 the Holding accounted for the income of Tenge 19,578,909 thousand (2018: Tenge 31,170,408 thousand), recognised in the consolidated statement of financial position (Note 22).

In determining the fair value of the issued bonds upon initial recognition, the Holding has applied the market interest rates from 8.54% to 10.64% p.a. (2018: 8.42% to 9.14% p.a).

In June 2019 the Holding has revised maturity terms for two debt securities (KZP01Y20E730 and KZP02Y20E73) issued in 2014-2015 to finance Expo-2017 projects at a rate of 0.15% p.a. (below market rate) through BD JSC. Upon initial recognition of these debt securities issued, the Holding estimated the expected maturity in 2020–2022 and recognized these debt securities issued at fair value using estimated market rates of 5.41% p.a. and 5.93% p.a. In 2019 the Holding updated its expectations on the repayment of debt securities issued, taking into account the recommendations of the Commission for the control of the usage of funds allocated by the National Fund of the Republic of Kazakhstan. The new expected repayment schedules for debt securities issued are based on the more extended repayment schedules that will come from the sale of real estate, and the contractual terms of debt securities have been revised accordingly. The Holding has treated these extensions in the repayment period as a material modification, which resulted in the derecognition of the existing financial liability and recognition of new financial instruments at fair value using market rates at the substantial modification date of 8.76% p.a. and 8.70% p.a. The difference between the carrying value of old financial liability and the fair value of new financial liability in the amount of Tenge 19,721,305 thousand (excluding tax effect of Tenge 3,944,261 thousand) was recognized as a contribution in retained earnings for the year as the effect of a transaction with the Sole Shareholder, due to the fact that these securities are held by a government entity.

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

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

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

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

Mortgage bonds. Mortgage bonds comprise debt securities issued by KMC JSC denominated in Tenge. These bonds have floating and fixed coupon rates varying from 2.99% to 10.50% p.a. (effective interest rates vary from 2.99% to 10.87% p.a.). They will be redeemed during 2019-2027. Bonds are secured by customer loan agreements and relevant real estate which is the collateral for these loans. Floating coupon rates are dependent on the inflation rate which is based on the inflation index for the recent 12 months according to data reported by the Agency of Statistics of the Republic of Kazakhstan, and subject to semi-annual revision in accordance with the issue date.

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

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Balance at 1 January	**1,439,786,546**	**1,125,979,806**
Changes due to cash flows from financing activities		
Proceeds from debt securities issued	215,023,475	293,820,715
Repurchase/redemption of debt securities issued	(4,734,890)	(39,167,030)
Total changes due to cash flows from financing activities	**210,288,585**	**254,653,685**
Other changes		
Discount at initial recognition (Note 22)	(19,578,909)	(31,170,408)
Interest expense (Note 25)	112,625,636	90,582,593
Interest paid	(71,507,432)	(66,561,186)
Effect of changes in exchange rates	(2,278,260)	65,032,263
Effect of the substantial modification of terms of debt securities issued	(19,720,633)	-
Losses less gains on buyback of own debt securities issued	-	1,269,793
Other	(62,617)	-
Balance at 31 December	**1,649,552,916**	**1,439,786,546**

19 Loans from banks and other financial institutions

(In thousands of Kazakhstani Tenge)	Date of maturity	Currency	Rate (%)	31 December 2019	31 December 2018
Loans from related parties					
NWF "Samruk-Kazyna" JSC	01.12.2023	KZT	6.50	19,416,325	19,416,325
NWF "Samruk-Kazyna" JSC	30.11.2021	KZT	1.00	15,176,057	15,176,057
NWF "Samruk-Kazyna" JSC	20.06.2021	KZT	0.20	12,541,913	12,541,913
NWF "Samruk-Kazyna" JSC	15.11.2022	KZT	0.20	10,002,556	10,002,556
NWF "Samruk-Kazyna" JSC	29.11.2023	KZT	0.60	5,050,023	5,050,023
NWF "Samruk-Kazyna" JSC	01.11.2029	KZT	0.20	3,334,907	3,668,398
NWF "Samruk-Kazyna" JSC	01.12.2021	KZT	0.20	184,921	277,381
NWF "Samruk-Kazyna" JSC	01.08.2019	KZT	1.00	-	18,291,724
				65,706,702	**84,424,377**
Loans with fixed interest rate					
Loans from OECD banks and other financial institutions					
HSBC Bank plc.	05.07.2023	EUR	2.85	11,088,390	14,195,530
JBIC Sumitomo Mitsui Banking	21.12.2019	JPY	3.25	-	1,498,399
Loans from non-OECD banks and other financial institutions					
Export-Import Bank of China	21.05.2025	USD	3.00	88,636,994	103,844,991
Export-Import Bank of China	23.10.2025	USD	3.00	50,282,195	58,262,067
Asian Development Bank	07.12.2020	KZT	7.58	40,356,501	11,277,138
Asian Development Bank	07.12.2020	KZT	7.50	25,972,051	20,725,261
Eximbank of Russia	15.12.2030	RUB	9.00	11,637,204	11,374,808
Eximbank of Russia	06.11.2027	RUB	5.75	3,007,644	3,035,603
Eximbank of Russia	28.04.2025	RUB	5.00	2,312,735	2,455,058
Eximbank of Russia	25.12.2027	RUB	5.00	1,007,160	-
Asian Development Bank	15.10.2019	USD	2.08	-	23,529,620
				234,300,874	**250,198,475**
Loans with floating interest rate					
Loans from non-OECD banks and other financial institutions					
China Development Bank	25.04.2030	USD	3mLIBOR+ 2.70	102,261,807	102,796,407
China Development Bank	15.06.2025	USD	6mLIBOR+ 2.70	98,863,656	149,075,020
Sumitomo Mitsui Banking Corporation Europe Limited, the Bank of Tokyo-Mitsubishi UFJ Ltd., Deutsche Bank AG, Credit Agricole Corporate and Investment BankCorporation Europe Limited, the Bank of Tokyo-Mitsubishi UFJ Ltd., Deutsche Bank AG, Credit Agricole Corporate and Investment Bank	25.04.2030	USD	3mLIBOR+ 1.80	86,398,493	86,829,713
China Development Bank	26.11.2034	USD	6mLIBOR+ 2.20	76,781,298	-
Export-Import Bank of China	21.07.2023	USD	6mLIBOR+ 3.00	-	182,280,017
				364,305,254	**520,981,157**
Total loans from banks and other financial institutions				**664,312,830**	**855,604,009**
Less unamortised portion of borrowing costs				**(11,978,884)**	**(18,104,294)**
				652,333,946	**837,499,715**

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

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Balance at 1 January	**837,499,715**	**1,010,188,639**
Changes due to cash flows from financing activities		
Receipt of loans from banks and other financial institutions	113,576,195	159,589,632
Repayment of loans from banks and other financial institutions	(296,563,822)	(437,557,739)
Total changes due to cash flows from financing activities	**(182,987,627)**	**(277,968,107)**
Other changes		
Interest expense (Note 25)	33,127,756	42,491,224
Interest paid	(33,375,560)	(40,189,777)
Discount at initial recognition	(236,787)	(535,655)
Effect of changes in exchange rates	(1,693,551)	103,513,391
Balance at 31 December	**652,333,946**	**837,499,715**

20 Loans from the Government of the Republic of Kazakhstan

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Loans from the Government of the Republic of Kazakhstan	283,784,376	208,831,317
	283,784,376	**208,831,317**

During 2019, the Holding received loans from the Ministry of Finance of the Republic of Kazakhstan in the total amount of Tenge 204,480,359 thousand, including Tenge 147,046,000 thousand for realisation of government programmes (2018: Tenge 104,756,067 thousand, including Tenge 47,537,182 thousand for realisation of government programmes) with the following terms and contractual interest rates:

- a loan of Tenge 14,000,000 thousand has been received at the rate of 0.10% p.a. and with maturity in 8 years. The borrowed funds are intended to lend the Holding Company's subsidiary - DBK JSC for further lending of DBK-Leasing JSC to provide a long-term lease financing under the Unified Program for Business Support and Development "Business Road Map – 2020"**;

- a loan of Tenge 23,546,000 thousand has been received at the rate of 0.10% p.a. and with maturity in 10 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for financing the project "Saryarka Gas main"**;

- a loan of Tenge 18,741,022 thousand has been received at the rate of 0.05% p.a. and with maturity in 20 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for on-lending to DBK-Leasing with 0.10% p.a. to provide financing for renovation of fleet of passenger cars of "Passenger Transportation" JSC**;

- a loan of Tenge 11,258,978 thousand has been received at the rate of 0.05% p.a. and with maturity in 20 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for on-lending to DBK-Leasing with 0.10% p.a. to finance the renovation of Fleet of passenger cars of "Passenger Transportation" JSC**;

- a loan of Tenge 11,000,000 thousand has been received at the rate of 0.10% p.a. and with maturity in 19 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for on-lending to DBK-Leasing with 0.15% p.a. for 19 years to finance the investment projects within the framework of State program of industrial-innovative development of RK for 2015-2019 years**;

- a loan of Tenge 10,000,000 thousand has been received at the rate of 0.10% p.a. and with maturity in 18 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for on-lending of Tenge 8,000,000 thousand for crediting the buyers of passenger cars produced in Kazakhstan, and Tenge 8,000,000 thousand for leasing financing of entities and individual entrepreneurs, who buy transport and equipment of special purpose except for agricultural equipment produced in Kazakhstan**;

- a loan of Tenge 6,000,000 thousand has been received at the rate of 0.10% p.a. and with maturity in 8 years. The borrowed funds are intended to lend the Holding's subsidiary - DBK JSC for on-lending to DBK-Leasing with 0.20% p.a. for 8 years to provide long-term leasing financing within the framework of State program of support and development of the business "Business Road Map - 2020"**;

- a loan of Tenge 42,000,000 thousand has been received at the rate of 0.15% p.a. and with maturity in 20 years. The borrowed funds will be used to provide preliminary and interim housing loans to participants in the "Nurly Zher" Housing Construction Program*;

- a loan of Tenge 52,500,000 thousand has been received at the rate of 0.01% p.a. and with maturity in 25 years. The borrowed funds will be used to provide preliminary and interim housing loans to participants in the "Bakytty Otbasy" State Program**;

- loans of Tenge 15,434,359 thousand have been received at the rates in the range of 0.01%-0.10% p.a. and with maturity in 5-7 years. All borrowed funds are intended to finance small and medium entities.

During 2018 the following loans have been received:

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

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

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

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

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

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

*During 2019, the discount of Tenge 33,014,773 thousand (2018: Tenge 31,593,085 thousand) arising upon initial recognition was recognised directly in equity as an additional paid-in capital (less effect of the respective income tax of Tenge 6,602,955 thousand (2018: Tenge 6,318,617 thousand), as management determined that the Government acted in the capacity of a shareholder when providing the Holding with said financing instruments at interest rates below market rates, without any additional conditions. The Holding used estimated market interest rates of 8.19% – 8.52% p.a. (2018: 8.18% – 8.96% p.a.) to measure the fair value of the loans received from the Government of the Republic of Kazakhstan at initial recognition by discounting their future contractual cash flows.

**During 2019, the Holding recognised the discount of Tenge 99,912,906 thousand (2018: Tenge 26,291,607 thousand) at initial recognition of loans as government grants (Note 22) in the consolidated statement of financial position. The Holding used estimated market interest rates of 8.73% – 10.90% p.a. (2018: 8.48% – 8.76% p.a.) to measure the fair value of the loans received from the Government of the Republic of Kazakhstan at initial recognition by discounting their future contractual cash flows.

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

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Balance at 1 January	**208,831,317**	**180,029,399**
Changes due to cash flows from financing activities		
Receipt of loans from the Government of the Republic of Kazakhstan	204,480,359	104,756,067
Repayment of loans from the Government of the Republic of Kazakhstan	(11,899,006)	(29,726,415)
Total changes due to cash flows from financing activities	**192,581,353**	**75,029,652**
Other changes		
Discount at initial recognition	(132,680,483)	(56,897,484)
Interest expense (Note 25)	15,601,449	11,290,931
Interest paid	(545,829)	(621,181)
Effect of changes in exchange rates	(3,431)	
Balance at 31 December	**283,784,376**	**208,831,317**

21 Other financial liabilities

Other financial liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Funds to be transferred under government programme	5,865,771	4,974,063
Commitments to provide loans at a below-market interest rate	5,448,924	10,968,511
Provision for credit related commitments	3,588,310	5,436,899
Other accounts payable	2,906,852	1,790,375
Payables on banking activity	2,541,735	2,929,792
Payables for mortgage loans acquired	1,400,374	1,255,499
Amounts placed by customers as security for letters of credit	1,323,744	12,153,573
Trade payables to suppliers and contractors	1,228,570	1,071,724
Accrued fee and commission expenses	672,961	308,687
Amounts payable under repurchase agreements	535,607	-
Interest strip payable	266,974	682,204
Innovation grants received	-	3,082,416
Other	1,203,333	2,814,848
Total other financial liabilities	**26,983,155**	**47,468,591**

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

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

22 Government grants

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

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Balance at the beginning of the year	**411,155,878**	**415,095,872**
Government grants received from the Government of the Republic of Kazakhstan by means of issue of debt securities (Note 18)	19,578,909	31,170,408
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Government of the Republic of Kazakhstan (Note 20)	99,912,906	26,291,607
Recovery of the government grant allocation (Note 29)	10,966,934	-
Utilisation of government grant for loan issued under Nurly Zher program	(3,620,523)	(5,401,801)
Utilisation of government grant for commissioning of residential properties under housing credit and lease agreements, under Nurly Zher program	(3,722,805)	(3,614,313)
Utilisation of government grant upon issuance of loans to borrowers under the State Program of Industrial-Innovative Development of the Republic of Kazakhstan for 2015-2019	(6,137,822)	(20,347,963)
Utilisation of government grant upon issuance of finance lease	(7,198,444)	(4,857,459)
Amortisation for the year	(9,411,288)	(9,216,431)
Utilisation of government grant for loans issued under under the State program "Bakytty otbasy"	(12,975,493)	-
Utilisation of government grant for purchase of regional authorities bonds (Note 11)	(15,863,144)	(11,787,791)
Utilisation of government grants upon issuance of low interest loans to commercial banks	(26,628,762)	(5,163,514)
Recalculation of government grant due to partial repayment of principal	-	(1,012,737)
Balance at the end of the year	**456,056,346**	**411,155,878**

Subsequent to initial recognition, the Holding charged to profit or loss an amount corresponding to the renegotiated debt provided to the borrowers on favourable terms upon fulfilment of the conditions of state programs (Notes 8, 10, 11 and 12). The Holding is responsible for allocation benefits to ultimate borrowers through low interest loans.

During the year ended 31 December 2019 the government grants transferred to profit or loss (Note 29) amounted to Tenge 47,396,832 thousand (2018: Tenge 38,342,221 thousand) and were included in other expenses. The remaining utilisation of government grants recognised as a part of interest income.

23 Other liabilities

Other liabilities comprise the following:

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Advances received under finance leases	19,411,938	9,013,305
Deferred income on guarantees	8,658,082	5,483,862
Prepayments	4,074,612	7,758,072
Accrued employee benefit costs	2,127,334	2,222,479
Taxes payable other than on income	1,334,269	572,721
Deferred income	1,098,709	773,663
Payables to suppliers	1,058,295	1,617,096
Follow-up control of performance of liabilities	189,920	422,057
Other	3,434,940	4,994,187
Total other liabilities	**41,388,099**	**32,857,442**

24 Share capital

(In thousands of Kazakhstani Tenge, except for number of shares)	31 December 2019	31 December 2018
Authorised ordinary shares	5,000,086,550	5,000,086,550
Authorised, but not issued	(4,082,867,838)	(4,153,867,838)
Total issued shares paid	**917,218,712**	**846,218,712**
Par value per share, in Tenge	1,000	1,000
Issued share capital paid	**917,218,712**	**846,218,712**

Each ordinary share carries one vote.

During 2019, the Holding Company issued shares for the total nominal amount of Tenge 71,000,000 thousand (during 2018 no any shares have been issued by the Holding Company).

In July 2019 the Holding Company has declared and paid dividends in the amount of Tenge 1,485,163 thousand (during 2018 no dividends declared). Dividends per ordinary share are Tenge 1.67.

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

(In Kazakhstani Tenge)	2019	2018
Net assets per ordinary share	1,331.88	1,249.60

As at 31 December 2019 net assets per ordinary share was determined by dividing amount of consolidated equity decreased by the carrying amount of intangible assets, which the Holding will not be able to sell to third parties, of Tenge 1,221,625,221 thousand (31 December 2018: Tenge 1,057,436,688 thousand) by the total number of outstanding shares of 917,218,712 (31 December 2018: 846,218,712 shares).

Earnings per share

(In thousands of Kazakhstani Tenge)	2019	2018
Net profit for the year	51,480,836	34,718,048
Issued ordinary shares at the beginning of the year	846,218,712	846,218,712
Weighted average number of ordinary shares for the year ended 31 December	**889,872,558**	**846,218,712**
Earnings per share		
Basic and diluted earnings per share (Tenge)	**57.852**	**41.027**

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

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

Other reserves. During 2019 the Holding has accrued contingency reserve in the amount of Tenge 2,102,275 thousand through retained earnings in accordance with the Resolution of the Management Board of National Bank of Kazakhstan #12 dated 31 January 2019 "About amendments introduced to the Resolution of the Management Board of National Bank of Kazakhstan #304 dated 26 December 2016". The Holding has to recognise reserves for those insurance products for which the reserve for unearned premiums is not able to cover all expected insurance losses. Moreover, Holding has accrued reserve for settlement of the warranty cases in the amount of Tenge 3,940,777 thousand, in accordance with paragraph 29 of the Law of the Republic of Kazakhstan dated 7 April 2016 "About equity participation on housing construction".

25 Interest income and expense

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Interest income calculated using the effective interest method		
Loans to customers	175,868,901	156,866,310
Investment securities measured at amortised cost	37,844,432	23,177,792
Loans to banks and financial institutions	26,171,264	24,875,937
Cash and cash equivalents	26,121,445	29,611,046
Investment securities measured at fair value through other comprehensive income	16,511,056	22,920,773
Deposits with banks and financial institutions	12,167,154	13,774,696
Other	199,505	100,499
Total interest income calculated using the effective interest method	**294,883,757**	**271,327,053**
Other interest income		
Finance lease receivables	30,003,516	25,272,422
Loans to customers	6,415,823	3,802,037
Financial instruments at fair value through profit or loss	736,455	1,344,575
Total other interest income	**37,155,794**	**30,419,034**
Interest expense		
Debt securities issued	(112,625,636)	(90,582,593)
Loans from banks and other financial institutions	(33,127,756)	(42,491,224)
Loans from the Government of the Republic of Kazakhstan	(15,601,449)	(11,290,931)
Customer accounts	(13,112,243)	(9,945,131)
Subordinated debt	(452,692)	(704,900)
Other	(217,401)	(401,166)
Total interest expense	**(175,137,177)**	**(155,415,945)**
Net interest income	**156,902,374**	**146,330,142**

Included within various line items under interest income for the year ended 31 December 2019 is a total of Tenge 15,571,912 thousand (2018: Tenge 9,535,434 thousand) of government grant amortisation.

26 Fee and commission income and expense

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Fee and commission receipts		
Fee and commission income arising from financial assets not measured at fair value through profit or loss:		
- Performance guarantees	3,479,879	3,088,572
- Reservation commission on undrawn part of loan	3,226,626	302,316
- Agency services	884,083	961,678
- Cash operations	366,869	624,917
- Project-related consultations	226,781	358,277
- Transfer services	199,449	117,665
- Letters of credit	-	230,225
- Other	731,174	432,808
Total fee and commission income	**9,114,861**	**6,116,458**
Fee and commission expense		
Fee and commission expense arising from financial assets not measured at fair value through profit or loss:		
- Agency services	(4,583,234)	(2,136,055)
- Commission for opening an insurance line to guarantee export loans	(3,677,184)	-
- Commission for early repayment of loan	(2,868,924)	(1,455,517)
- Transfer services	(728,096)	(375,079)
- Securities transactions	(117,019)	(106,704)
- Custodial services	(50,818)	(20,241)
- Maintenance of current accounts	(36,600)	(27,708)
- Confirmation letter of credit	(7,374)	(225,499)
- Eurobonds issue	-	(20,111)
- Credit card management	-	(1,152)
- Other	(54,235)	(122,778)
Total fee and commission expense	**(12,123,484)**	**(4,490,844)**
Net fee and commission (expense)/income	**(3,008,623)**	**1,625,614**

27 Net (loss)/gain on assets measured at fair value through profit or loss

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Dividend income from other assets measured at fair value through profit or loss	1,147,906	3,681,889
Gains less losses on derivative financial instruments	3,183,387	2,510,975
Loss on revaluation of loans to customers at fair value through profit or loss	(5,768,546)	(2,208,443)
Gains less losses on trading securities	54,425	65,958
(Losses less gains)/gains less losses on other assets measured at fair value through profit or loss	(3,518,997)	4,576,724
Total net (loss)/gain on assets measured at fair value through profit or loss	**(4,901,825)**	**8,627,103**

28 Net foreign exchange (loss)/gain

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Losses less gains arising from foreign currency translation	(1,334,501)	(799,814)
Losses less gains /(gains less losses) arising from foreign currency operations	(166,666)	2,252,136
Total net foreign exchange (loss)/gain	**(1,501,167)**	**1,452,322**

29 Other operating expense, net

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Other income from utilisation of government grants (Note 22)	47,396,832	38,342,221
Gain from recovery of provision due to expiration of the contractual term of the credit line and derecognition of a provision for loans with below-market rates	10,966,934	-
Gain from early prepayment of loans	6,045,211	2,359,110
Gains less losses/(losses less gains) from sales of non-current assets held for sale	4,385,270	(5,655)
Revenue from provision of services	441,974	902,049
Gain from sale of other assets (inventory)	359,787	1,699,471
Gain from the excess of the amount of VAT receivables over accrued VAT	399,672	-
Fines and penalties	266,749	302,349
Rental income	99,648	53,573
Losses less gains on buyback of own debt securities	-	(1,269,793)
Charge for of impairment of property, plant and equipment and intangible assets	(483)	(792,508)
Accrual of provision for equity accounted investees	(665,591)	(573,121)
Loss from repayment of loans from banks and other financial institutions before maturity	(2,712,811)	(3,083,818)
Expense on valuation of liabilities on provision of loans at below market rates	(8,686,364)	(10,968,511)
Provision for impairment of other assets and assets held for sale	(10,468,460)	(245,386)
Expenses in the form of negative adjustment of value of the loan issued	(62,629,204)	(27,228,400)
Other income	2,777,465	505,023
Total other operating expense, net	**(12,023,371)**	**(3,396)**

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programs (Note 22).

During 2019, expenses on estimation of provision in relation to loan commitments to provide loans at below market rates that were recognised the year before in the amount of Tenge 10,966,934 thousand have been recovered. The respective amount of government grant recognised in 2018 within other income has been reversed within the government grant liabilities and will be utilised against future projects as part of government programmes.

During 2019, due to partial early repayment of issued loans, the Holding recognised income of Tenge 6,045,211 thousand (2018: Tenge 2,359,110 thousand) as a result of revision of repayment schedule.

During 2019, due to early and partial early repayment of loans from foreign banks, the Holding recognised expense of Tenge 2,712,811 thousand (2018: Tenge 3,083,818 thousand) incurred as a result of revision of repayment schedule.

During 2019, the Holding recognised expense of Tenge 8,686,364 thousand (2018: Tenge 10,968,511 thousand) upon initial recognition of the fair value of liabilities on provision of loans at below market rates.

During 2019, the Holding recognised expense of Tenge 62,629,204 thousand (2018: Tenge 27,228,400 thousand) in the form of negative adjustment of value of the loan issued as a result of issue of loans at rates below market rates. During 2019 expense at initial recognition of loans to banks and to customers arose from issuance of loans with a nominal interest rate from 1.00% to 8.00% per annum, the market interest rates of which ranged from 6.90% to 14.50% per annum (2018: with a nominal rate from 1.00% to 5.00%, the market rates on which ranged from 6.00% to 13.50%).

30 Reversal of / (provision for) impairment of other financial assets and credit related commitments

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Credit related commitments and guarantees issued	2,362,686	(1,358,298)
Deposits with banks and financial institutions (Note 9)	2,197,688	(11,933,266)
Loans to banks and financial institutions (Note 8)	666,859	(34,036,994)
Cash and cash equivalents (Note 6)	182,907	(586,885)
Investment securities measured at fair value through other comprehensive income	(1,727)	(154,765)
Other financial assets (Note 15)	(204,571)	(888,919)
Investment securities measured at amortised cost (Note 11)	(1,709,158)	(1,297,926)
Finance lease receivables (Note 12)	(1,832,336)	(4,601,477)
Total reversal of/(provision for) impairment of other financial assets and credit related commitments	**1,662,348**	**(54,858,530)**

31 Administrative expenses

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Personnel costs	24,252,115	21,465,335
Professional services	4,607,450	4,255,705
Repair and technical equipment	2,183,872	580,519
Depreciation of property, plant and equipment	2,032,914	1,535,902
Taxes other than on income	1,399,217	2,951,506
Advertising and marketing services	1,273,072	987,647
Contributions to “Kazakhstan Deposit Insurance Fund” JSC	1,179,423	930,164
Amortisation of software and other intangible assets	1,061,374	788,290
Communications services	1,057,777	726,868
Business trip expenses	946,064	904,796
Administrative expense of the Board of Directors	928,865	806,297
Expenses on realisiation of Damu EDF JSC programmes	806,576	872,451
Staff training	730,454	517,103
Operating lease expense	666,633	1,257,636
Materials	639,500	451,377
Information services	475,234	481,364
Insurance	430,132	380,822
Expenses related IFK JSC projects	401,251	-
Utilities	335,734	549,777
Charity and sponsorship	315,433	798,035
Transportation services	305,819	201,194
Security services	24,050	218,968
Other	3,627,036	4,217,365
Total administrative expenses	**49,679,995**	**45,879,121**

32 Income tax

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

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Current tax	16,540,703	31,701,086
Deferred tax	(4,634,710)	(14,001,784)
Income tax expense for the year	**11,905,993**	**17,699,302**

The income tax rate applicable to the Holding’s 2019 income is 20% (2018: 20%).

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

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Profit before income tax	**63,416,061**	**52,417,287**
The estimated tax charges at statutory rate of 20% (2018: 20%)	12,683,212	10,483,457
- Non-taxable income on securities	(9,044,017)	(8,450,673)
- Other non-taxable income	(2,902,666)	(3,814,726)
- Non-deductible impairment losses on financial assets	5,744,883	12,002,608
- Other non-deductible expenses	4,311,193	4,804,517
- Adjustment of current income tax expense for prior years	(484,964)	804,335
- Previously unrecognised tax asset	(135,152)	-
- Change in unrecognised deferred tax assets	705,242	679,858
- Restructuring of private equity funds*	-	(2,358,532)
- Write-off of deferred tax assets	-	3,037,456
- Other permanent differences	1,028,262	511,002
Income tax expense for the year	**11,905,993**	**17,699,302**

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

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

(In thousands of Kazakhstani Tenge)	31 December 2019	Change for the year	31 December 2018	Change for the year	1 January 2018
Finance lease receivables	1,891,324	(153,231)	2,044,555	132,283	1,912,272
Interest accrued at contractual rate and written off	64,664	(6,132)	70,796	(9,072)	79,868
Other financial assets at fair value through profit or loss	620,077	-	620,077	11,933	608,144
Investment in subsidiaries	1,934,471	440,740	1,493,731	302,897	1,190,834
Equity accounted investees	450,772	71,330	379,442	37,571	341,871
Other assets	28,930	15,820	13,110	(203)	13,313
Tax loss carried forward	2,587,816	708,696	1,879,120	354,323	1,524,797
Derivative financial instruments	-	(174,411)	174,411	(280,755)	455,166
Other liabilities	56,438	(197,570)	254,008	130,881	123,127
Net unrecognised deferred tax assets	**7,634,492**	**705,242**	**6,929,250**	**679,858**	**6,249,392**

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

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2018: 20%).

(In thousands of Kazakhstani Tenge)	1 January 2019	Recognised in profit or loss	Recognised directly in equity	Disposal from the Holding	31 December 2019
Tax effect of deductible/(taxable) temporary differences					
Due from banks	46,967,974	7,791,038	-	-	54,759,012
Loans to customers	22,283,440	6,712,686	-	-	28,996,126
Finance lease receivables	2,044,555	(153,231)	-	-	1,891,324
Interest accrued at contractual rate and written off	70,796	(6,132)	-	-	64,664
Investment securities	34,736	(587)	-	-	34,149
Investment in subsidiaries	1,493,731	440,740	-	-	1,934,471
Equity accounted investees	196,758	200,306	-	-	397,064
Property, plant and equipment	(840,070)	(267,049)	-	(164,295)	(1,271,414)
Investment property	2,956,667	(2,780,904)	-	-	175,763
Other assets	(2,486,734)	2,057,703	-	-	(429,031)
Tax loss carried forward	1,988,031	691,809	-	(86,527)	2,593,313
Debt securities issued	(143,106,557)	(7,504,509)	(3,944,261)	-	(154,555,327)
Loans from banks and other financial institutions	(7,329,250)	1,054,094	-	-	(6,275,156)
Loans from the Government of the Republic of Kazakhstan	(7,209,265)	-	(6,602,954)	-	(13,812,219)
Government grants	70,857,727	(1,724,430)	-	-	69,133,297
Other liabilities	3,483,952	(974,012)	-	(3,186)	2,506,754
Net deferred tax liability before recoverability assessment	**(8,593,509)**	**5,537,522**	**(10,547,215)**	**(254,008)**	**(13,857,210)**
Recognised deferred tax asset	3,844,215	647,663	-	197,569	4,689,447
Recognised deferred tax liability	(19,366,974)	3,987,047	(10,547,215)	(254,008)	(26,181,150)
Net deferred tax liability	**(15,522,759)**	**4,634,710**	**(10,547,215)**	**(56,439)**	**(21,491,703)**

(In thousands of Kazakhstani Tenge)	1 January 2018	Recognised in profit or loss	Recognised directly in equity	Disposal from the Holding	31 December 2018
Tax effect of deductible/(taxable) temporary differences					
Due from banks	44,531,399	1,520,088	916,487	-	46,967,974
Loans to customers	19,002,235	3,281,205	-	-	22,283,440
Finance lease receivables	1,912,272	132,283	-	-	2,044,555
Interest accrued at contractual rate and written off	79,868	(9,072)	-	-	70,796
Investment securities	38,382	(3,646)	-	-	34,736
Investment in subsidiaries	1,190,834	302,897	-	-	1,493,731
Equity accounted investees	226,667	(29,909)	-	-	196,758
Property, plant and equipment	(913,554)	(4,606)	-	78,090	(840,070)
Investment property	2,604,000	352,667	-	-	2,956,667
Other assets	(7,031,961)	4,535,272	9,955	-	(2,486,734)
Tax loss carried forward	1,905,908	82,123	-	-	1,988,031
Debt securities issued	(138,211,344)	(4,895,213)	-	-	(143,106,557)
Loans from banks and other financial institutions	(8,759,628)	1,430,378	-	-	(7,329,250)
Loans from the Government of the Republic of Kazakhstan	(956,630)	65,983	(6,318,618)	-	(7,209,265)
Government grants	74,892,803	(4,035,076)	-	-	70,857,727
Other liabilities	(8,336,307)	11,797,990	22,269	-	3,483,952
Net deferred tax liability before recoverability assessment	**(17,825,056)**	**14,523,364**	**(5,369,907)**	**78,090**	**(8,593,509)**
Recognised deferred tax asset	4,347,437	(344,944)	-	(158,278)	3,844,215
Recognised deferred tax liability	(28,421,885)	14,346,728	(5,369,907)	78,090	(19,366,974)
Net deferred tax liability	**(24,074,448)**	**14,001,784**	**(5,369,907)**	**(80,188)**	**(15,522,759)**

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

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan. Utilisation of tax loss carried forward expires in 2020-2029.

33 Financial risk management

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

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

The risk management policy has the following objectives:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The table below summarises the Holding exposure to foreign currency exchange rate risk at 31 December 2019:

(In thousands of Kazakhstani Tenge)	**Tenge**	**USD**	**EUR**	**Other**	**Total**
ASSETS					
Cash and cash equivalents	369,999,947	40,833,544	2,253,849	1,494,794	414,582,134
Loans to banks and financial institutions	373,726,776	-	-	-	373,726,776
Deposits with banks and financial institutions	126,960,701	16,924,554	2,451,334	6,747,505	153,084,094
Financial instruments at fair value through profit or loss	208,798	1,566	-	-	210,364
Loans to customers	1,934,605,713	800,410,743	11,470,282	-	2,746,486,738
Investment securities measured at fair value through profit or loss	8,379,588	-	-	-	8,379,588
Investment securities measured at fair value through other comprehensive income	166,091,203	201,781,641	-	283,885	368,156,729
Investment securities measured at amortised cost	397,145,582	7,494,759	-	-	404,640,341
Finance lease receivables	357,267,765	-	-	-	357,267,765
Other financial assets	19,326,929	919,248	-	23	20,246,200
Total monetary financial assets	**3,753,713,002**	**1,068,366,055**	**16,175,465**	**8,526,207**	**4,846,780,729**
LIABILITIES					
Customer accounts	827,992,369	4,291,790	1,801,000	-	834,085,159
Debt securities issued	1,115,073,402	534,479,514	-	-	1,649,552,916
Subordinated debt	6,516,175	-	-	-	6,516,175
Loans from banks and other financial institutions	127,234,576	498,434,761	10,715,626	15,948,983	652,333,946
Loans from the Government of the Republic of Kazakhstan	283,351,425	432,951	-	-	283,784,376
Insurance contracts liabilities	9,963,449	-	-	-	9,963,449
Other financial liabilities	23,909,646	3,030,825	30,101	12,583	26,983,155
Total monetary financial liabilities	**2,394,041,042**	**1,040,669,841**	**12,546,727**	**15,961,566**	**3,463,219,176**
Total net position	**1,359,671,960**	**27,696,214**	**3,628,738**	**(7,435,359)**	**1,383,561,553**

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

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

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

In the consolidated financial statements the finance lease receivables in the amount of Tenge 190,107,158 thousand (2018: Tenge 113,323,460 thousand) presented in Tenge include embedded derivatives measured at fair value, from which Tenge 7,908,031 thousand are indexed to the appreciation of the US dollar (2018: Tenge 9,740,352 thousand) and Tenge 14,980,142 thousand are indexed to the appreciation of the Russian Ruble (2018: Tenge 12,730,558 thousand).

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

(In thousands of Kazakhstani Tenge)	31 December 2019	31 December 2018
US Dollar strengthening by 20% (2018: strengthening by 20%)	4,431,394	7,408,024
US Dollar weakening by 20% (2018: weakening by 20%)	(4,431,394)	(7,408,024)
EUR strengthening by 20% (2018: strengthening by 20%)	580,598	197,531
EUR weakening by 20% (2018: weakening by 20%)	(580,598)	(197,531)
Other currencies strengthening by 20% (2018: strengthening by 20%)	(1,189,657)	(1,391,467)
Other currencies weakening by 20% (2018: weakening by 20%)	1,189,657	1,391,467

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

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

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

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Non-interest bearing**	**Total**
31 December 2019							
Total financial assets	611,994,856	577,787,812	212,484,391	3,338,743,151	128,879,983	105,770,520	4,975,660,713
Total financial liabilities	(210,085,192)	(404,462,829)	(273,457,234)	(2,539,183,188)	-	(36,030,735)	(3,463,219,178)
Net interest sensitivity gap at 31 December 2019	**401,909,664**	**173,324,983**	**(60,972,843)**	**799,559,963**	**128,879,983**	**69,739,785**	**1,512,441,535**
31 December 2018							
Total financial assets	1,094,126,887	300,183,737	185,823,086	2,686,229,371	116,043,296	118,270,555	4,500,676,932
Total financial liabilities	(667,202,022)	(35,446,145)	(74,184,461)	(2,369,108,407)	-	(47,892,037)	(3,193,833,072)
Net interest sensitivity gap at 31 December 2018	**426,924,865**	**264,737,592**	**111,638,625**	**317,120,964**	**116,043,296**	**70,378,518**	**1,306,843,860**

All of the Holding's debt instruments reprice within 1 year on the average, excluding financial instruments with fixed interest rate.
Sensitivity analysis of profit or loss and equity (net of taxes) to changes in interest rates (interest rate risk) performed based on the conventional scenario of parallel shift in yield curve by 100 basis points upward or downward the interest rates and restated positions on interest-bearing assets and liabilities effective as of 31 December 2019 and 31 December 2018 is as follows:

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Parallel increase by 100 basis points (2018: 100 basis points)	3,941,537	4,990,268
Parallel decrease by 100 basis points (2018: 100 basis points)	(3,941,537)	(4,990,268)

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

	31 December 2019			31 December 2018		
	Tenge	US Dollar	Other	Tenge	US Dollar	Other
Assets						
Cash and cash equivalents	7.15%	0.86%	1.85%	7.24%	0.84%	0.81%
Loans to banks and financial institutions	5.82%	-	-	5.69%	-	-
Deposits with banks and financial institutions	7.40%	1.58%	-	5.86%	1.46%	-
Loans to customers	8.42%	5.90%	5.90%	8.37%	5.94%	6.05%
Investment securities measured at fair value through other comprehensive income	7.72%	3.17%	5.00%	7.79%	3.90%	5.38%
Investment securities measured at fair value through profit or loss	7.03%	-	-	7.14%	-	-
Investment securities measured at amortised cost	10.71%	-	-	8.41%	-	-
Finance lease receivables	5.56%	-	-	5.63%	-	-
Liabilities						
Customer accounts	1.94%	-	-	2.02%	-	-
Debt securities issued	8.93%	5.27%	-	8.59%	5.27%	-
Subordinated debt	7.67%	-	-	7.67%	-	-
Loans from banks and other financial institutions	6.19%	4.08%	7.94%	5.94%	3.86%	7.47%
Loans from the Government of the Republic of Kazakhstan	6.85%	-	-	6.48%	-	-

The Holding is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower a right to repay the loans earlier. The Holding's current year financial result and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2018: no significant impact).

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

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

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

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

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

Procedures for liquidity risk management of the Holding include:

– cash flow forecasting in terms of key currencies and calculation of the related necessary level of liquid assets;

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

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

The table below shows liabilities at 31 December 2019 and 2018 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the amount in the consolidated statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Holding expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2019 is as follows:

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	27,871,082	122,480,923	94,725,819	268,780,716	402,194,219	916,052,759
Debt securities issued	44,776,942	85,146,269	154,752,517	1,015,991,297	1,503,823,086	2,804,490,111
Subordinated debt	5,743	-	5,743	57,430	115,249,856	115,318,772
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	17,324,251	21,417,964	109,711,123	588,116,068	658,804,928	1,395,374,334
Other financial liabilities	12,752,943	3,504,510	1,340,127	770,515	1,273,728	19,641,823
Total potential future payments for financial liabilities	**102,730,961**	**232,549,666**	**360,535,329**	**1,873,716,026**	**2,681,345,817**	**5,250,877,799**
Irrevocable loan commitments	298,300,905	61,104,345	81,498,203	6,308,718	-	447,212,171
Guarantees, letters of credit and other liabilities related to settlement operations	138,181,005	-	-	-	-	138,181,005
Contingent capital commitments	59,910,628	-	-	-	-	59,910,628
Contingent commitments on innovation grants allocation	3,049,440	-	-	-	-	3,049,440

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

(In thousands of Kazakhstani Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	118,606,611	22,651,286	28,555,026	313,683,392	212,724,127	696,220,442
Debt securities issued	46,639,746	29,425,625	35,462,905	1,015,887,877	1,198,461,695	2,325,877,848
Subordinated debt	-	5,743	-	51,687	115,272,827	115,330,257
Loans from banks, other financial institutions and the Government of the Republic of Kazakhstan	40,342,645	36,978,222	99,557,411	625,410,128	457,097,336	1,259,385,742
Other financial liabilities	15,476,981	11,744,032	19,391,454	4,630,557	1,410,699	52,653,723
Other derivative financial instruments:						
- Claims on derivative financial instruments	-	-	-	(23,425,220)	-	(23,425,220)
- Liabilities from derivative financial instruments	-	-	-	11,111,150	-	11,111,150
Total potential future payments for financial liabilities	**221,065,983**	**100,804,908**	**182,966,796**	**1,947,349,571**	**1,984,966,684**	**4,437,153,942**
Irrevocable loan commitments	244,145,929	28,970,346	20,690,491	26,660,639	32,418,509	352,885,914
Guarantees, letters of credit and other liabilities related to settlement operations	124,815,036	-	-	-	-	124,815,036
Contingent capital commitments	59,098,755	-	-	-	-	59,098,755
Contingent commitments on innovation grants allocation	8,822,271	-	-	-	-	8,822,271

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

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

In the judgement of the Holding management, the matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the effective management of the Holding.
The following table provides an analysis, by expected maturities, of amounts recognised in the consolidated statement of financial position as at 31 December 2019 and 2018.

(In thousands of Kazakhstani Tenge)	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
31 December 2019							
Total assets	501,235,784	321,997,135	406,737,967	1,144,521,877	2,672,196,282	167,358,150	5,214,047,195
Total liabilities	(135,959,544)	(150,217,238)	(344,958,029)	(1,151,753,644)	(2,204,020,906)	(775)	(3,986,910,136)
Net position as at 31 December 2019	**365,276,240**	**171,779,897**	**61,779,938**	**(7,231,767)**	**468,175,376**	**167,357,375**	**1,227,137,059**
31 December 2018							
Total assets	758,471,146	132,248,491	371,886,124	1,034,196,256	2,258,212,391	163,832,002	4,718,846,410
Total liabilities	(178,625,479)	(44,039,783)	(103,989,438)	(1,410,881,765)	(1,920,129,251)	-	(3,657,665,716)
Net position as at 31 December 2018	**579,845,667**	**88,208,708**	**267,896,686**	**(376,685,509)**	**338,083,140**	**163,832,002**	**1,061,180,694**

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

Compliance with capital adequacy ratios set for the subsidiaries is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman of the Management Board and considered by the Holding's Board of Directors.
The Holding treats the capital as net assets attributable to the Holding owners, which amount to Tenge 1,227,037,636 thousand (31 December 2018: Tenge 1,061,110,503 thousand). The Holding is not subject to regulatory capital requirements.

During 2019 and 2018 the Holding's subsidiaries complied with all externally imposed capital adequacy ratios by exceeding the minimum requirements.

34 Analysis by segment

The Holding has six reportable segments, as described below, which are the Holding's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and strategies. For each of the strategic business units, the Chairman of the Management Board, reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- Strategical management;
- Affordable housing;
- Large business support;
- SME support and development;
- Investments development;
- Export insurance and others.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries.

Segment information for the main reportable segments for the years ended 31 December 2019 and 31 December 2018 is set out below:

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
ASSETS		
Strategical management	1,699,926,204	1,466,090,990
Affordable housing	2,090,982,992	1,670,465,283
Large business support	2,662,632,541	2,602,920,796
SME support and development	339,978,863	304,121,808
Investments development	233,926,669	221,282,408
Export insurance and others	90,016,992	50,853,588
Total assets	**7,117,464,261**	**6,315,734,873**
LIABILITIES		
Strategical management	714,673,384	561,564,326
Affordable housing	1,650,614,718	1,315,416,942
Large business support	2,187,058,547	2,185,123,658
SME support and development	251,367,620	231,601,330
Investments development	53,936,757	54,839,472
Export insurance and others	9,059,283	5,488,174
Total liabilities	**4,866,710,309**	**4,354,033,902**
Reconciliations of reportable segment total assets and total liabilities:		
Total assets for reportable segments		
Total assets	7,117,464,261	6,315,734,873
Impact of consolidation	(1,903,417,066)	(1,596,888,463)
Total assets	**5,214,047,195**	**4,718,846,410**
Total liabilities for reportable segments		
Total liabilities	4,866,710,309	4,354,033,902
Impact of consolidation	(879,800,173)	(696,368,186)
Total liabilities	**3,986,910,136**	**3,657,665,716**

(In thousands of Kazakhstani Tenge)	Strategic management	Affordable housing	Large business support	SME support and development	Investments development	Export insurance and other	Total
2019							
Interest income	50,280,147	132,878,583	176,911,935	22,727,927	4,755,573	5,003,903	392,558,068
Interest expense	(49,152,769)	(51,007,734)	(125,641,170)	(10,247,867)	-	(24,877)	(236,074,417)
Net interest income	**1,127,378**	**81,870,849**	**51,270,765**	**12,480,060**	**4,755,573**	**4,979,026**	**156,483,651**
Provision for loan portfolio impairment	-	227,193	(18,146,889)	(222,504)	-	-	(18,142,200)
Net fee and commission income	(3,639,934)	(4,041,606)	689,349	3,761,283	-	222,285	(3,008,623)
Net (loss)/gain on assets measured at fair value through profit or loss	-	99,509	(2,632,239)	-	1,175,577	73,437	(1,283,716)
Net gain/(loss) on investment securities at fair value through profit or loss	(899)	13,250	3,317,701	40,884	2,468,915	-	5,839,851
Net insurance premiums earned	-	996,512	-	-	-	1,569,780	2,566,292
Net losses from derecognition of financial assets measured at amortized cost	-	-	(1,550,426)	-	-	-	(1,550,426)
Net insurance reimbursements/(claims) incurred and changes in insurance contract provisions	-	(1,688,224)	-	-	-	(3,272,494)	(4,960,718)
Other operating income/(expense), net	2,678,846	8,267,930	(12,521,678)	(7,956,559)	43,057	484,684	(9,003,720)
Operating income	**165,391**	**85,745,413**	**20,426,583**	**8,103,164**	**8,443,122**	**4,056,718**	**126,940,391**
Provision for impairment of other financial assets and credit related commitments	(10,850)	(1,134,572)	194,685	1,689,598	920,164	670,518	2,329,543
Administrative expenses	(4,835,189)	(25,676,169)	(9,300,558)	(5,611,338)	(2,971,250)	(2,267,541)	(50,662,045)
Share of financial result of associates and joint ventures	-	-		-	(6,226)	-	(6,226)
Profit before income tax	**(4,680,648)**	**58,934,672**	**11,320,710**	**4,181,424**	**6,385,810**	**2,459,695**	**78,601,663**
Income tax expense	119,646	(6,706,756)	(3,833,275)	(377,281)	(716,957)	(391,370)	(11,905,993)
Segment result	**(4,561,002)**	**52,227,916**	**7,487,435**	**3,804,143**	**5,668,853**	**2,068,325**	**66,695,670**

(In thousands of Kazakhstani Tenge)	Strategic management	Affordable housing	Large business support	SME support and development	Investments development	Export insurance and other	Total
2019							
Interest income	32,381,172	96,044,227	173,869,352	24,754,664	6,732,182	3,189,543	336,971,140
Interest expense	(30,112,475)	(30,719,391)	(122,209,818)	(8,363,634)	-	(29,185)	(191,434,503)
Net interest income	**2,268,697**	**65,324,836**	**51,659,534**	**16,391,030**	**6,732,182**	**3,160,358**	**145,536,637**
Provision for loan portfolio impairment	-	(1,076,570)	(15,303,696)	1,743,874	-	-	(14,636,392)
Net fee and commission income	-	(1,384,874)	(1,128,393)	3,736,324	-	360,412	1,583,469
Net (loss)/gain on assets measured at fair value through profit or loss	1,725	142,692	(1,146,882)	-	7,739,014	61,006	6,797,555
Net gain/(loss) on investment securities at fair value through profit or loss	603	107,325	(1,318,557)	6,007,189	(897,264)	-	3,899,296
Net insurance premiums earned	-	461,266	-	-	-	1,042,413	1,503,679
Net insurance reimbursements/(claims) incurred and changes in insurance contract provisions	-	(376,527)	-	-	-	(785,581)	(1,162,108)
Other operating income/(expense), net	13,722,779	6,255,936	(3,147,622)	(12,019,755)	9,877,951	614,046	15,303,335
Operating income	**15,993,804**	**69,454,084**	**29,614,384**	**15,858,662**	**23,451,883**	**4,452,654**	**158,825,471**
Provision for impairment of other financial assets and credit related commitments	(239,348)	(747,013)	(6,930,519)	(21,191,238)	(13,879,789)	(657,119)	(43,645,026)
Administrative expenses	(5,031,792)	(22,590,697)	(8,164,282)	(5,212,278)	(3,936,120)	(1,727,737)	(46,662,906)
Share of financial result of associates and joint ventures	-	-	-	-	(975)	-	(975)
Profit before income tax	**10,722,664**	**46,116,374**	**14,519,583**	**(10,544,854)**	**5,634,999**	**2,067,798**	**68,516,564**
Income tax expense	22,177	(3,812,566)	(10,023,453)	(1,385,618)	(2,031,798)	(468,044)	(17,699,302)
Segment result	**10,744,841**	**42,303,808**	**4,496,130**	**(11,930,472)**	**3,603,201**	**1,599,754**	**50,817,262**

(In thousands of Kazakhstani Tenge)	**2019**	**2018**
Reconciliations of reportable segment revenues and profit or loss:		
Reportable segment net interest income	156,483,651	145,536,637
Other adjustments	418,723	793,505
Total net interest income	**156,902,374**	**146,330,142**
Reportable segment profit	66,695,670	50,817,262
Impact of consolidation	(15,185,602)	(16,099,277)
Total profit	**51,510,068**	**34,717,985**

35 Contingencies

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

Tax contingencies. The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the consolidated financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

Investment related contingencies. The Holding purchases private equity funds liabilities to include in its portfolio. The Holding diversifies the investment portfolio by distributing investments among managers, relevant industries, territories and investment stages. As of 31 December 2019 the contingent capital commitments totalled Tenge 59,910,628 thousand (31 December 2018: Tenge 59,098,755 thousand). Under the constituent agreements of private equity funds, in case of default on capital commitments, after the manager issued a due claim, the Holding may be subject to sanctions, including moratorium on interest, cessation of profit distribution, temporary denial of right to participate in the corporate governance of the funds and forced sale of the Holding's share to co-investors and third parties. As of December 2019 and 2018 the Holding did not have overdue investment commitments.

Compliance with covenants. The subsidiaries of the Holding are subject to certain covenants primarily relating to their borrowings. Non-compliance with these covenants may result in negative consequences for the Holding. The Holding was in compliance with covenants at 31 December 2019 and 31 December 2018.

Contractual obligations. As at 31 December 2019 and 2018 BD JSC has commitments to transfer property to the participants in shared construction of the first and second stages of Tau Samal residential complex. At 31 December 2019 the property transferable after completion of construction comprises 2 apartments (31 December 2018: 2 apartments).

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

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

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

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

(In thousands of Kazakhstani Tenge)	**31 December 2019**	**31 December 2018**
Commitments to extend credit that are irrevocable or revocable only in response to a material adverse change	26,241,764	20,467,228
Undrawn credit lines that are irrevocable or revocable only in response to a material adverse change	420,970,401	332,418,686
Financial guarantees issued	144,613,436	136,987,618
Contingent commitments on innovation grants allocation	3,049,440	8,822,271
Total credit related commitments less provision	**594,875,041**	**498,695,803**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was Tenge 5,448,924 thousand at 31 December 2019 (31 December 2018: Tenge 10,968,511 thousand). Credit related commitments are denominated in Tenge.

36 Offsetting financial assets and financial liabilities

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

Financial assets and liabilities subject to enforceable master netting and similar arrangements are as follows at 31 December 2019:

	Gross amounts before offsetting in the consolidated statement of financial position	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of exposure
				Financial instruments	Cash collateral received	
(In thousands of Kazakhstani Tenge)	(a)	(b)	(c) = (a) - (b)	(d)	(f)	(c) - (d) + (f)
ASSETS						
Cash and cash equivalents						
- Receivables under reverse repurchase agreements	136,842,120	-	136,842,120	(136,842,120)	-	-
Loans to customers	12,106,347	-	12,106,347	-	(2,604,700)	9,501,647
TOTAL ASSETS SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**148.948,467**	**-**	**148.948,467**	(136,842,120)	**(2,604,700)**	**9,501,647**
LIABILITIES						
Customer accounts	2,604,700	-	2,604,700	(2,604,700)	-	-
TOTAL LIABILITIES SUBJECT TO OFFSETTING, MASTER NETTING AND SIMILAR ARRANGEMENT	**2,604,700**	**-**	**2,604,700**	**(2,604,700)**	**-**	**-**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2018:

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

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

37 Derivative financial instruments

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

Type of instrument	Notional amount	Maturity	Payments made by the Holding	Payments received by the Holding	Fair value of Asset	Fair value of Liability
31 December 2019						
Options	Tenge 3,219,509 thousand	15.06.20	-	Tenge 3,219,509 thousand at maturity	148,478	-
Net fair value					**148,478**	**-**

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

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

38 Fair value

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

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

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

	31 December 2019				31 December 2018			
(In thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Other assets measured at fair value through profit or loss	3,913	57,973	128,879,984	128,941,870	-	45,867	117,994,926	118,040,793
Investment securities	200,761,883	173,099,324	2,675,110	376,536,317	202,790,248	200,417,078	1,672,979	404,880,305
Loans to customers	-	-	81,495,249	81,495,249	-	-	42,560,471	42,560,471
Embedded derivative	-	-	6,651,931	6,651,931	-	-	3,834,190	3,834,190
Derivative financial instruments	-	148,478	-	148,478	-	12,710,512	-	12,710,512
TOTAL ASSETS AT FAIR VALUE	**200,765,796**	**173,305,775**	**219,702,274**	**593,773,845**	**202,790,248**	**213,173,457**	**166,062,566**	**582,026,271**

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

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

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

There were no changes in valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2019 (2018: none).

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

The Holding's investments in equity instruments categorised as level 3 comprise holdings in investment funds. These funds invest primarily in private equity through purchasing unlisted ordinary shares of businesses in emerging markets (predominantly the Republic of Kazakhstan and Russia). To determine fair value of investments in these funds, the Holding engaged an independent appraiser for the years ended 31 December 2019 and 31 December 2018. The approach followed by the appraiser was to estimate the fair value of the underlying portfolio investments (businesses) held by each fund, and then calculate the Holding's share of this business value. As a cross check, the appraiser also reviews fair values of investments as reported by each of the funds, and assesses the basis for material differences between the appraised fair value and fair values reported by the managers.

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

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

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

The table below provides information on significant unobservable inputs used at the year-end to value the most significant companies included in the portfolio of private equity funds categorised into Level 3 of the fair value hierarchy as at 31 December 2019, in addition to sensitivity analysis to changes in unobservable data, which the Holding thinks reasonably possible at the reporting date, assuming that all other variables remain unchanged.

Company industries	Fair value of the Holding's interest	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Power engineering	21,957,960	Black Scholes option pricing model	Volatility coefficient	+/- 5%	1,097,898
	512,750	Comparative approach	EBITDA/(multiplier)	+/- 5%	25,638
	69,248	Income approach	Discounted CF	+/- 5%	3,462
	23,014	Income approach	Discounted CF	+/- 5%	1,151
Unconventional energy	5,135,379	Comparative approach	EBITDA/(multiplier)	+/- 5%	256,769
	4,242,000	Cost approach	According to historical cost	+/- 5%	212,100
	2,956,040	Income approach	Discounted CF	+/- 5%	147,802
	140,995	Cost approach	According to historical cost	+/- 5%	7,050
Transportation and logistics services	40,150,121	Income approach	Discounted CF	+/- 5%	2,007,506
	3,692,950	Income approach	Discounted CF	+/- 5%	184,648
	3,376,158	Comparative approach	EBITDA/(multiplier)	+/- 5%	168,808
	3,292,436	Comparative approach	EBITDA/(multiplier)	+/- 5%	164,622
	2,963,761	Cost approach	According to historical cost	+/- 5%	148,188
	1,624,724	Income approach	Discounted CF	+/- 5%	81,236
Manufacturing	5,638,229	Income approach	Discounted CF	+/- 5%	281,911
	3,053,274	Income approach	Discounted CF	+/- 5%	152,664
	1,000,000	Cost approach	According to historical cost	+/- 5%	50,000
	634,726	Income approach	Discounted CF	+/- 5%	31,736
	570,989	Cost approach	According to historical cost	+/- 5%	28,549
	9,240	Cost approach	Adjustment to NAV	+/- 5%	462
Natural resources	907,276	Comparative approach	EBITDA/(multiplier)	+/- 5%	45,364
Real estate	1,208,257	Cost approach	Adjustment to NAV	+/- 5%	60,413
Medical diagnostics	1,641,482	Cost approach	Adjustment to NAV	+/- 5%	82,074
	1,517,983	Comparative approach	EBITDA/(multiplier)	+/- 5%	75,899
	1,339,114	Cost approach	Adjustment to NAV	+/- 5%	66,956
	172,103	Comparative approach	EBITDA/(multiplier)	+/- 5%	8,605
	100,000	Cost approach	Adjustment to NAV	+/- 5%	5,000

Industry in which company operates	Fair value of Holding's share	Valuation technique	Significant unobservable input	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
Agriculture	7,837,137	Income approach	Discounted CF	+/- 5%	391,857
	2,139,191	Cost approach	According to historical cost	+/- 5%	106,960
	1,000,000	Cost approach	According to historical cost	+/- 5%	50,000
	970,883	Income approach	Discounted CF	+/- 5%	48,544
	593,565	Cost approach	According to historical cost	+/- 5%	29,678
	344,162	Cost approach	According to historical cost	+/- 5%	17,208
	313,089	Income approach	Discounted CF	+/- 5%	15,654
	222,671	Cost approach	According to historical cost	+/- 5%	11,134
Electrical engineering industry	465,640	Income approach	Discounted CF	+/- 5%	23,282
Financial services	1,069,144	Comparative approach	EBITDA/(multiplier)	+/- 5%	53,457
	166,144	Comparative approach	EBITDA/(multiplier)	+/- 5%	8,307
	71,277	Comparative approach	EBITDA/(multiplier)	+/- 5%	3,564
Entertainment	3,187,654	Comparative approach	EBITDA/(multiplier)	+/- 5%	159,383
	948,074	Comparative approach	EBITDA/(multiplier)	+/- 5%	47,404
Telecom services	291,105	Income approach	Discounted CF	+/- 5%	14,555
	93,577	Income approach	Discounted CF	+/- 5%	4,679
Technology	790,060	Comparative approach	EBITDA/(multiplier)	+/- 5%	39,503
Other	446,402	-	-	-	-
Total	**128,879,984**				

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

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

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

The valuation technique and inputs used in the fair value measurement for level 3 measurements of loans to customers, investment securities measured at fair value and embedded instrument and related sensitivity to reasonably possible changes in those inputs as at 31 December 2019 are as follows:

(In thousands of Kazakhstani Tenge)	**Fair value**	**Valuation technique**	**Inputs used**	**Range of inputs (weighted average)**	**Sensitivity analysis of fair value to unobservable inputs**
Loans to customers measured at FVTPL	81,495,249	Discounted cash flow	Discount rate	USD 5.26%, KZT 12.60%-15.92%	Significant increase in discount rate would result in lower fair value
Embedded derivative	6,651,931	Option model	Volatility of foreign exchange rate	USD 2.07%, RUB: 4.89%	Significant increase in volatility would result in higher fair value
Debt securities measured at fair value	2,675,110	Discounted cash flows	Discount rate	10.52%	Significant increase in discount rate would result in lower fair value

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

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

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

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2019 is as follows:

(In thousands of Kazakhstani Tenge)	**Other assets measured at fair value through profit or loss**	**Investment securities**	**Embedded derivatives**	**Loans to customers measured at fair value through profit or loss**
Fair value as at 1 January 2019	**117,994,926**	**1,672,979**	**3,834,190**	**42,560,471**
Gains or losses recognised in profit or loss for the year	1,659,320	82,612	3,223,329	(1,697,771)
Purchases	14,456,642	-	-	42,612,353
Transfer to Level 3	-	933,590	-	-
Repayment, contracts termination	(1,450,373)	(14,071)	(497,200)	(1,979,804)
Sales	(3,780,531)	-	-	-
Acquisition as a part of finance lease receivables	-	-	91,612	-
Fair value at 31 December 2019	**128,879,984**	**2,675,110**	**6,651,931**	**81,495,249**

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

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

Assets and liabilities not measured at fair value but for which fair value is disclosed. Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2019 are as follows:

(In thousands of Kazakhstani Tenge)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying amount**
ASSETS					
Cash and cash equivalents	-	414,582,134	-	414,582,134	414,582,134
Loans to banks and financial institutions	-	303,961,303	6,772,758	310,734,061	373,726,776
Deposits with banks and financial institutions	-	152,894,935	-	152,894,935	153,084,094
Loans to customers	-	2,547,804,880	43,918,314	2,591,723,194	2,664,991,489
Investment securities	-	390,032,460	8,037,456	398,069,916	404,640,341
Finance lease receivables (less embedded derivatives)	-	277,034,752	397,489	277,432,241	350,849,016
TOTAL	**-**	**4,086,310,464**	**59,126,017**	**4,145,436,481**	**4,361,873,850**
LIABILITIES					
Customer accounts	-	834,085,159	-	834,085,159	834,085,159
Debt securities issued	792,141,723	778,548,224	-	1,570,689,947	1,649,552,916
Subordinated debt		1,102,085	-	1,102,085	6,516,175
Loans from banks and other financial institutions	-	624,202,631	17,701,280	641,903,911	652,333,946
Loans from the Government of the Republic of Kazakhstan	-	273,728,086	-	273,728,086	283,784,376
TOTAL	**792,141,723**	**2,511,666,185**	**17,701,280**	**3,321,509,188**	**3,426,272,572**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2018 are as follows:

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

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

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

- Discount rates of 3.12% to 20.36% p.a. for foreign currency loans and of 6.93% to 30.09% p.a. for Tenge loans are used for discounting future cash flows on loans to customers;
- Discount rates of 3.67% p.a. for USD and 11.69% to 14.39% p.a. for Tenge are used for discounting future cash flows on investment securities measured at amortised cost;
- Discount rate of 9.45% to 12.80% p.a. is used for discounting future cash flows on loans to banks;
- Discount rate of 9.10% p.a. is used for discounting future cash flows on finance lease receivables;
- Discount rates of 2.47% to 3.95% p.a. for USD and 10.17% to 10.77% p.a. for Tenge are used for discounting future cash flows on debt securities issued;
- Discount rates of 10.50% to 11.69% p.a. are used for discounting future cash flows on subordinated debt;
- Discount rates of 2.44% to 5.58% p.a. for foreign currency loans and of 10.69% to 11.31% p.a. for Tenge loans are used for discounting future cash flows on loans from banks and other financial institutions;
- Discount rates of 10.56% to 10.77% p.a. are used for discounting future cash flows on loans from SWF “Samruk-Kazyna”.

39 Presentation of financial instruments by measurement category

As at 31 December 2019 and 2018 all financial liabilities of the Holding, other than derivatives, are carried at amortised cost. Derivative financial instruments are designated at fair value through profit or loss.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2019:

(In thousands of Kazakhstani Tenge)	At amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total carrying value	Fair value
Financial assets measured at fair value					
Other assets measured at fair value through profit or loss	-	129,090,348	-	129,090,348	129,090,348
Loans to customers	-	81,495,249	-	81,495,249	81,495,249
Investment securities	-	8,379,588	368,156,729	376,536,317	376,536,317
Embedded derivatives	-	6,651,931	-	6,651,931	6,651,931
	-	**225,617,116**	**368,156,729**	**593,773,845**	**593,773,845**
Financial assets not measured at fair value					
Cash and cash equivalents	414,582,134	-	-	414,582,134	414,582,134
Loans to banks and financial institutions	373,726,776	-	-	373,726,776	310,734,061
Deposits with banks and financial institutions	153,084,094	-	-	153,084,094	152,894,935
Loans to customers	2,664,991,489	-	-	2,664,991,489	2,591,723,194
Investment securities	404,640,341	-	-	404,640,341	398,069,916
Finance lease receivables (less embedded derivatives)	350,849,016	-	-	350,849,016	277,432,241
Other financial assets	20,246,200	-	-	20,246,200	20,246,200
	4,382,120,050	**-**	**-**	**4,382,120,050**	**4,165,682,681**
TOTAL FINANCIAL ASSETS	**4,382,120,050**	**225,617,116**	**368,156,729**	**4,975,893,895**	**4,759,456,526**

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

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

40 Related party transactions

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

The Government of the Republic of Kazakhstan has control over the Holding as the Government of the Republic of Kazakhstan is an ultimate controlling party of the Holding.
The Holding decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state-owned entities.
At 31 December 2019, the outstanding balances with related parties were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
ASSETS			
Cash and cash equivalents	10,167,460	-	213,749,746
Loans to customers (nominal interest rates: 0.47%-10.00%)	-	-	439,648,728
Other assets measured at fair value through profit or loss	-	80,941,771	-
Deposits with banks and financial institutions (nominal interest rates: 2.00%-8.50%)	-	-	13,425,348
Investment securities measured at fair value through other comprehensive income (nominal interest rates: 1.51%-11.00%)	106,230,538	-	57,586,453
Investment securities measured at fair value through profit or loss (nominal interest rates: 4.87%-9.10%)	1,435,984	-	-
Investment securities measured at amortised cost (nominal interest rates: 1.51%-11.00%)	3,475,293	-	318,744,576
Finance lease receivables (nominal interest rates: 5.91%)	-	-	92,560,886
Equity accounted investees	-	44,665	-
Current income tax prepayment	-	-	16,956,072
Deferred income tax asset	-	-	4,689,446
Other financial assets	337	-	6,203,415
Other assets	729,771	-	59,028,601
LIABILITIES			
Customer accounts (nominal interest rates: 2.00%-7.75%)	-	-	2,847,950
Debt securities issued (nominal interest rates: 0.01%-10.89%)	-	-	843,083,873
Subordinated debt (nominal interest rates: 0.01%)	-	-	6,516,175
Loans from banks and other financial institutions (nominal interest rates: 0.57%-5.50%)	-	-	60,906,024
Loans from Government of the Republic of Kazakhstan (nominal interest rates: 0.01%-0.15%)	283,784,376	-	-
Deferred income tax liability	-	-	26,181,150
Current income tax liability	-	-	1,047
Other financial liabilities	3,196,016	-	4,765,964
Other liabilities	1,119,867	-	667,830,852
Credit related commitments (undrawn credit lines)	-	-	4,489,511

The income and expense items with related parties for 2019 were as follows:

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
Interest income calculated using the effective interest method	13,624,297	-	79,571,082
Interest expense	(51,054,773)	-	(28,683,942)
Provision for loan portfolio impairment	-	-	(24,504)
Fee and commission income	866,220	-	3,634,196
Fee and commission expense	-	-	(24,929)
Net foreign exchange translation loss	(1,796,915)	-	(2,417,494)
Net gain from assets measured at fair value through profit or loss	385,538	(2,371,091)	119,075
Other operating income	71,273,607	-	6,356,288
Provision for impairment of other financial assets and credit related commitments	6,413	-	(2,653,571)
Administrative expenses	(920,642)	-	(1,740,841)
Share of financial result of equity accounted investees	-	(6,187)	(38)
Income tax expense	-	-	(11,905,993)

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

(In thousands of Kazakhstani Tenge)	**Ultimate parent organisation**	**Associates and joint ventures**	**Transactions with state owned entities**
ASSETS			
Cash and cash equivalents	148,043,445	-	299,575,753
Loans to customers (nominal interest rates: 1.40%-10.00%)	-	-	579,932,412
Other assets measured at fair value through profit or loss	-	77,860,398	-
Investment securities measured at fair value through other comprehensive income (nominal interest rates: 3.00%-10.50%)	267,066,297	-	54,698,376
Investment securities measured at fair value through profit or loss (nominal interest rates: 4.87%-9.10%)	948,880	-	2,373,028
Investment securities measured at amortised cost (nominal interest rates: 0.25%-10.50%)	5,375,762	-	178,729,079
Finance lease receivables (nominal interest rates: 6.92%)	-	-	34,045,563
Equity accounted investees	-	1,082,556	-
Current income tax prepayment	-	-	18,974,333
Deferred income tax asset	-	-	3,844,215
Non-current assets held for sale	-	-	290,386
Other financial and non-financial assets	-	-	32,690,885
LIABILITIES			
Customer accounts (nominal interest rates: 2.00%-7.50%)	-	-	9,962,030
Debt securities issued (nominal interest rates: 0.10%-13.16%)	-	-	611,041,090
Subordinated debt (nominal interest rates: 0.01%)	-	-	6,074,969
Loans from banks and other financial institutions (nominal interest rates: 0.26%-5.50%)	-	-	77,576,764
Loans from Government of the Republic of Kazakhstan (nominal interest rates: 0.05%-0.10%)	208,831,317	-	-
Deferred income tax liability	-	-	19,366,974
Current income tax liability	-	-	356,912
Other financial and non-financial liabilities	5,897,663	-	420,005,989
Credit related commitments (undrawn credit lines)	-	-	2,762,908

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

(In thousands of Kazakhstani Tenge)	Ultimate parent organisation	Associates and joint ventures	Transactions with state owned entities
Interest income calculated using the effective interest method	17,267,161	-	86,152,576
Interest expense	(10,433,826)	-	(38,745,782)
Provision for loan portfolio impairment	-	-	(4,459,966)
Fee and commission income	866,220	-	161,434
Fee and commission expense	-	-	(29,483)
Net foreign exchange translation gain	-	-	91,889,339
Net loss from assets measured at fair value through profit or loss	(215,110)	8,258,613	(2,601,843)
Other operating income/(expense)	77,246,038	(565,121)	8,721,941
Administrative expenses	(1,653,418)	-	(5,994,120)
Share of financial result of equity accounted investees	-	(975)	-
Income tax expense	-	-	(17,699,302)

Key management compensation is presented below:

(In thousands of Kazakhstani Tenge)	2019	2018
Members of the Board of Directors and Management Board	601,297	540,560
Total	**601,297**	**540,560**

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

41 Subsequent events

COVID-19 subsequent events

As a result of global coronavirus outbreak, in 2020 the government of the Republic of Kazakhstan has declared a state of emergency on the territory of the Republic of Kazakhstan. Additionally, as a result of the meeting of the Organization of Petroleum Exporting Countries (OPEC), oil prices fell significantly during 2020. Management is in a process of the assessment of the potential impact of these events of the Holding's 2020 operations. The impact is likely to lead to restructuring of loans portfolio and increase of the amount of the allowances for expected credit losses on loans to customers, the amount of the allowances for expected credit losses on finance lease receivables, the amount of the allowances for expected credit losses on loans to banks and financial institutions and the amount of the allowances for expected credit losses on investments measured at amortised cost and the fair value of the other assets measured at fair value through profit or loss.

As the Holding is the main operator of the Government incorporated to assist and develop business in the Republic of Kazakhstan, it has taken the following steps to support business entities during the state of emergency with a view to provide effective assistance and support to the economy of the Republic of Kazakhstan:

- To ensure enhanced economic activity in the Republic of Kazakhstan, the Government has adopted the state programs - Employment Road Map and Business Road Map -2025 providing for financing of up to Tenge 1,000,000,000 thousand, which objectives include employment, creating enabling environments for development of communities' infrastructure. In particular, to provide package support through the Holding Company's subsidiaries: DBK JSC – extending provision of low interest loans, KCM JSC – extending investments through equity participation in dedicated projects under the program, KE JSC - providing support through insurance.
- DBK JSC has adopted a crisis response plan to restructure the Tenge denominated loans that were earlier provided to finance projects. This means that the debt repayment schedules will be changed and the period of the loans will be extended, the interest rate remaining unchanged.
- One of the Holding Company's subsidiary – Damu EDF JSC is currently engaged in work related to expansion of guarantee product line, providing for factoring, leasing guarantees, bank guarantees, etc. Damu EDF JSC adopted a simplified approval process of changes related to the SME loans restructuring, including those for subsidies and guarantees under the State Programs - Business Road Map-2025, Economy of Simple Things and Nurly Zher, in order to streamline the decision-making procedures during the state of emergency.
- Furthermore, during the state of emergency, subsidiaries of the affordable housing segment of the Holding Company - HCSBK JSC, KMC JSC and BD JSC have deferred the payment period for the next 3 months. These payments include principal and interest on all leases related to residential and non-residential real estates and loans to customers, without fines and penalties.
- During the state of emergency, IFK JSC has also stopped charging rent for SME on real estate and deferred the payment period for 3 months, without fines and penalties.

However, the wider effects of the virus and the decrease in the oil price and their effect on the Kazakhstan economy, including any resulting impact on the Holding financial results in 2020, are not possible to determine at the date of approval of these consolidated financial statements.

Other subsequent events

In April 2020, in accordance with the order of the Prime Minister of the Republic of Kazakhstan - A.U. Mamin dated 14 February 2020, No. 17-4 / B-47, the Holding issued the coupon bonds for the amount of Tenge 180,000,000 thousand with a coupon rate of 4% p.a. and maturity in 2022 to finance the housing construction.

In accordance with the Order of the Ministry of Digital Development, Innovations and Aerospace Industry of the Republic of Kazakhstan dated 17 January 2020, on 19 February 2020, the Holding concluded a contract of gratuitous transfer of 100% interest in the charter capital of Center of Engineering and Technology Transfer JSC in favor of Zerde National Information and Communication Holding JSC.

As part of the implementation of the task set in the Address of the President of the Republic of Kazakhstan Kassym-Zhomart Tokayev dated 2 September 2019, to reduce the number of housing programme operators, on 28 February 2020, the Board of Directors of the Holding Company made a preliminary decision to merge its subsidiaries – “BD” JSC and “KMC” JSC.