Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Financial Statements and
Independent Auditor's Report
For the year ended 31 December 2017

Unified Accumulative Pension Fund Joint Stock Company

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Statement of Management's Responsibilities
For the Preparation and Approval of the Financial Statements
For the year ended 31 December 2017

Management of Unified Accumulative Pension Fund Joint Stock Company ("the Fund") is responsible for the preparation of the financial statements of the Pension Plan Assets ("the Plan") that present fairly the financial position of the Plan as at 31 December 2017, and the results of its operations, cash flows and changes in net assets available for benefits for the year then ended, in accordance with Financial Reporting Standard "Accounting and disclosure of operations with pension assets" approved by Regulation #195 of the Management Board of the National Bank of the Republic of Kazakhstan ("the NBRK") on 26 July 2013 ("the FRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in FRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Plan's financial position and financial performance; and
- making an assessment of the Plan's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Plan;
- maintaining adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Plan, and which enable them to ensure that the financial statements of the Plan comply with FRS;
- maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Plan; and
- detecting and preventing fraud and other irregularities.

The financial statements of the Plan for the year ended 31 December 2017 were authorized for issuance by the Management of the Fund on 26 March 2018.

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

26 March 2018
Almaty

Tulegenova Zhanara Korganbekovna
Managing Director

26 March 2018
Almaty

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Unified Accumulative Pension Fund Joint Stock Company

Opinion

We have audited the financial statements of the Pension Plan Assets ("the Plan") of Unified Accumulative Pension Fund Joint Stock Company ("the Fund"), which comprise the statement of net assets available for benefits as at 31 December 2017, and the statement of profit and loss, statement of cash flows and statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Financial Reporting Standard "Accounting and disclosure of operations with pension assets" approved by Regulation #195 of the Management Board of the National Bank of the Republic of Kazakhstan ("the NBRK") on 26 July 2013 ("the FRS").

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Plan'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 Plan or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Plan'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 Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
№0000015, type MFU-2, given by the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
Engagement Partner
Qualified Auditor of the Republic of Kazakhstan
Qualification certificate
№0082 dated
13 June 1994
General Director
Deloitte, LLP

26 March 2018
Almaty

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Statement of Profit and Loss
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	For the year ended 31 December 2017	For the year ended 31 December 2016
Interest income	5, 20	512,774,794	549,547,099
Dividend income	6, 20	6,046,673	4,110,640
Net gain/(loss) on financial assets	7	52,297,879	(833,526)
Net gain/(loss) on foreign exchange operations	8	24,781,838	(20,495,803)
Impairment losses on financial assets	11, 14, 15	(3,997,100)	(2,122,071)
Other income		5,430,943	792,649
Total income		**597,335,027**	**530,998,988**
Commission expense	9, 20	(46,779,334)	(58,563,783)
Net profit for the year		**550,555,693**	**472,435,205**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

26 March 2018
Almaty

Tulegenova Zhanara Korganbekovna
Managing Director

26 March 2018
Almaty

The notes on pages 9-35 form an integral part of these financial statements.

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Statement of Net Assets Available for Benefits
As at 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	10, 20	30,390,232	161,357,628
Bank deposits	11	603,229,095	399,912,615
Financial assets at fair value through profit or loss	12, 20	1,607,291,926	533,545,890
Amounts receivable under reverse repurchase agreements	13	11,023,599	-
Financial assets at amortised cost	14, 20	5,503,777,387	5,578,659,027
Other assets	15	28,619,925	16,182,400
Total assets		**7,784,332,164**	**6,689,657,560**
LIABILITIES			
Commission payable	20	1,831,433	2,912,727
Claims of pension beneficiaries		772,568	690,409
Personal income tax payable		984,537	758,859
Other liabilities		5,687	30,725
Total liabilities		**3,594,225**	**4,392,720**
Net assets available for benefits		**7,780,737,939**	**6,685,264,840**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

26 March 2018
Almaty

Tulegenova Zhanara Korganbekvna
Managing Director

26 March 2018
Almaty

The notes on pages 9-35 form an integral part of these financial statements.

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Statement of Cash Flows
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Year ended 31 December 2017	Year ended 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets available for benefits	1,095,473,099	857,030,409
Adjustments for:		
Interest income	(512,774,794)	(549,547,099)
Dividend income	(6,046,673)	(4,110,640)
Net (gain)/loss on financial assets	(52,297,879)	833,526
Net (gain)/loss on unrealised foreign exchange operations	(24,781,838)	20,495,803
Impairment losses on financial assets	3,997,100	2,122,071
Change in operating assets and liabilities		
Increase in other assets	(5,385,015)	(957,210)
Decrease in commission payable	(1,081,294)	(3,435,481)
Increase in claims of pension beneficiaries	84,929	686,799
Increase in personal income tax payable	225,678	758,859
(Decrease)/increase in other liabilities	(25,038)	159,734
Cash inflows from operating activities	**497,388,275**	**324,036,771**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	470,502,187	490,146,751
Dividends received	5,277,519	4,110,640
Proceeds from bank deposits	1,536,871,261	71,073,012
Placement of bank deposits	(1,741,158,047)	(112,800,000)
Proceeds from reverse repurchase agreements	8,103,463,200	5,770,196,379
Purchases of reverse repurchase agreements	(8,111,088,077)	(5,714,068,806)
Sales and repayment of financial assets at fair value through profit or loss	14,002,682,555	1,372,779,896
Purchases of financial assets at fair value through profit or loss	(14,811,892,614)	(1,545,970,789)
(Purchases)/sales of derivatives	(34,010)	2,622,647
Sales and repayment of financial assets at amortised cost	542,693,494	6,771,769,839
Purchases of financial assets at amortised cost	(629,613,872)	(7,345,194,471)
Cash outflows from investing activities	**(632,296,404)**	**(235,334,902)**
Net (decrease)/increase in cash and cash equivalents	**(134,908,129)**	**88,701,869**
Cash and cash equivalents at the beginning of the year	161,357,628	79,482,862
Effect of changes in exchange rates on cash and cash equivalents	3,940,733	(6,827,103)
Cash and cash equivalents at the end of the year (Note 10)	**30,390,232**	**161,357,628**

The amount of interest received by the Plan during the years ended 31 December 2017 and 2016 amounted KZT 475,779,706 thousand and KZT 494,257,391 thousand, respectively.

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

26 March 2018
Almaty

Tulegenova Zhanara Korganbekovna
Managing Director

26 March 2018
Almaty

The notes on pages 9-35 form an integral part of these financial statements.

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Statement of Changes in Net Assets Available for Benefits
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Net profit for the year		550,555,693	472,435,205
Pension contributions received	16	756,035,276	554,285,497
Benefits paid	17	(211,117,870)	(169,690,293)
Change in net assets available for benefits		**1,095,473,099**	**857,030,409**
Net assets available for benefits at the beginning of the year		6,685,264,840	5,828,234,431
Net assets available for benefits at the end of the year		**7,780,737,939**	**6,685,264,840**

On behalf of the Management Board:

Nauryzbayeva Nurbubi Serekkhazhiyevna
Chairman of the Management Board

26 March 2018
Almaty

Tulegenova Zhanara Korganbekovna
Managing Director

26 March 2018
Almaty

The notes on pages 9-35 form an integral part of these financial statements.

1. Organization

These financial statements reflect Pension Plan Assets ("the Plan") managed by Unified Accumulative Pension Fund Joint Stock Company ("the Fund") are regulated by the pension legislation of the Republic of Kazakhstan. The Plan represents a defined contribution plan where pension contributions are accumulated and out of which benefits are paid.

On 21 June 2013, there were amendments enacted to the Law "On pensions in the Republic of Kazakhstan" ("the Law on pensions"). In accordance with the amended Law on pensions all mandatory pension, mandatory professional pension contributions in the Republic of Kazakhstan are performed by the Fund.

The Fund is a non-for-profit organisation. Its sole shareholder is the Government of the Republic of Kazakhstan, represented by the Committee of State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan (the "CSPP").

In accordance with the Law on pensions and the Agreement on fiduciary management signed by the NBRK on 26 August 2013, the state portfolio of shares of the Fund was passed under the fiduciary management to the NBRK.

The NBRK performs fiduciary management in respect of pension assets in accordance with the Investment Declaration approved by the Resolution of the NBRK Board No. 86 dated 17 March 2016 and amendmends approved by the Resolution of the NBRK Board No. 165 dated 28 August 2017. The investment declaration regulates the list of investment objects, goals, strategies and restrictions for the investment activity of the Scheme, the conditions for hedging and diversification of pension assets of the Plan, taking into account the recommendations of the Council for the Board of the National Fund headed by the President of the Republic of Kazakhstan.

Employers are liable to make mandatory contributions, equal to 10% of employees' income up to a statutory limit, on behalf of their employees. Additional voluntary contributions can be made by individuals or legal entities. Mandatory professional pension contributions are made by the employers at their own expense for the benefit of employees engaged in jobs with hazardous working conditions, in the amount of 5% of monthly income of the employee.

The pension provision system in Kazakhstan is a multi-level system, which consists of the solidarity component, the accumulative mandatory and voluntary savings components. The solidarity component is guaranteed by the Government of the Republic of Kazakhstan and is calculated and provided by the State Corporation "Government for Citizens". The accumulative mandatory and voluntary components of pension based on savings adjusted for inflation are also guaranteed by the Government. Thus, if at the moment of occurrence of the right to receive pension from the Plan, the amount of accumulated pension is less than all the pension contributions made adjusted for the inflation rate, the Government guarantees to pay the difference.

Each participant has an individual pension account, which is credited with his/her contribution and allocation of the Plan's investment income and is charged with an allocation of commission expense. The amount of allocated investment income and charged commission expense are determined in accordance with the pension legislation. When the conditions defined by the Law on pensions are met, participants are entitled to receive pension benefits up to the amount of pension savings, accumulated on their individual pension accounts.

When a participant reaches pension age, payments of pension accumulations from the Plan are performed in accordance with schedule, within the limits of annual payment amount, defined by pension legislation for the corresponding year.

On termination of service due to death or emigration, a participant (heir in case of death) is entitled to receive a lump-sum amount accumulated on the individual pension account as it was defined by the legislation of Kazakhstan.

When a participant reaches age, as defined in the Law on pensions and sufficiency of pension accumulations on his/her pension account, he/she has an option either to transfer the accumulated pension benefits to an insurance company as a contribution towards a pension annuity agreement or to receive pension payments directly from the Plan.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared assuming that the Plan is a going concern and will continue operation for the foreseeable future.

Statement of compliance

The accompanying financial statements are prepared in accordance with the FRS. The FRS sets out certain specific accounting and financial reporting requirements in respect of the Plan, and stipulates that International Financial Reporting Standards ("IFRS") apply for those areas not specifically addressed by the FRS. Specifically, the FRS establishes and stipulates guidelines on accounting of pension plan assets, initial recognition and subsequent accounting of financial assets, reclassification and derecognition of financial assets, impairment of financial assets at amortized cost and other financial assets, and defines the fair value of financial assets at fair value through profit or loss.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand"), unless otherwise indicated.

These financial statements have been prepared on the cost basis of account arrangement or purchase price of financial instruments, except for certain financial instruments that are measured at amortized cost or fair value at the end of each reporting period, as explained in the accounting policies below.

Functional currency

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency").

The presentational currency of the financial statements of the Plan is the KZT. All values are rounded to the nearest thousand Tenge, except when otherwise indicated.

Stipulations of accounting policy, described further, were implemented by the Plan subsequently in all reporting periods, presented in the financial statements.

(in thousands of Kazakhstani Tenge)

Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the Plan at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

The exchange rates used by the Plan in the preparation of the financial statements as at year-end are as follows:

	31 December 2017	31 December 2016
1 United States Dollar	332.33	333.29
1 Russian Rouble	5.77	5.43

Cash and cash equivalents

Cash and cash equivalents comprise current accounts at the NBRK.

Financial instruments

Classification

In accordance with the FRS the financial assets of the Plan are classified into one of the following categories:

1) measured at amortised cost;
2) measured at fair value.

The classification is performed in accordance with the Rules "On accounting and valuation of pension assets" developed by the NBRK in Decree No. 24 dated 26 February 2014 ("the Valuation Rules"). Deposits and receivables, and securities that have fixed redemption value and that have been acquired to match obligations of the Plan, are classified to the category "at amortised cost".

Reclassification of financial instruments between these categories is allowed at any time.

According to the FRS it is allowed to sell financial assets at amortised cost directly from this category.

Recognition

Financial assets and liabilities are recognised in the statement of net assets available for benefits when the Plan becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the trade date.

Measurement

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

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

- deposits and receivables which are measured at amortised cost using the effective interest method; and
- financial instruments measured at amortised cost using the effective interest method.

"Deposits and receivables" category is equivalent of "loans and receivables" category of IAS 39 Financial instruments: Recognition and Measurement.

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

Amortised cost

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

Fair value measurement principles

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

At subsequent measurement, fair values of the financial assets classified into the fair value through profit or loss category are determined in accordance with the Valuation Rules. Valuation Rules are also applied to determine fair value of financial assets classified into the "amortised cost" category.

Assessment of ordinary and preference shares of the first class of liquidity of organizations-residents of the Republic of Kazakhstan is performed weekly as at the end of the first working day of the week at the closing price of the previous trading day in the trading system of trades organizer.

Assessment of GDRs of organizations-residents and organizations-non-residents of the Reoublic of Kazakhstan is performed weekly as at the end of the first working day of the week at the closing price of the previous trading day according to the data of Bloomberg and Reuters informational-analytical systems.

Assessment of debt securities traded on the territory of the Republic of Kazakhstan and international (foreign) markets, classified "at fair value" is performed weekly as at the end of the first working day according to the data of Bloomberg and Reuters informational-analytical systems.

Assessment of shares (GDRs) of organization-residents of the Republic of Kazakhstan that are not considered as liquid, debt securities traded exclusively on the territory of the Republic of Kazakhstan, which have no market rates in Bloomberg and Reuters informational-analytical systems, structural notes is performed by an appraiser not less than once per year in accordance with the Law of the Republic of Kazakhstan dated 30 November 2000 "On appraising activity in the Republic of Kazakhstan".

Gains and losses on subsequent measurement

A gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss.

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

Derecognition

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

The Plan writes off assets when 180 days pass after the carrying amount becomes nil either as a result of impairment or fair value adjustment.

Amounts receivable under reverse repurchase agreements

Securities purchased under agreements to resell ("the reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the reverse repo agreement.

Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

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

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

Derivatives may be embedded in another contractual arrangement ("the host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Offsetting

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

Impairment

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

Objective evidence that financial assets are impaired include default or delinquency by a borrower, bankruptcy or liquidation of the borrower.

Impairment test of the Plan's financial assets is performed according to the Methodology on impairment of pension assets ("Methodology"), approved by the NBRK Committee on valuation of financial instruments comprising of the Plan's pension assets on 13 July 2015. According to the Methodology, impairment test is performed based on the following major criteria:

- the presence of the guarantee or surety;
- the availability of collateral;
- measures taken by the issuer of the security to improve its financial situation and (or) execution of obligations: a partial fulfilment of the obligations, additional capitalisation of the share capital, the appropriation / upgrade by international rating agencies, the initiation of the procedure of restructuring and optimisation of the debt burden, or other specific measures.

Depending on whether the financial asset is a debt or equity instrument, its specific impairment indicator and the presence of one of the above criteria the impairment allowance of 0 – 100% is calculated.

All impairment losses are recognised in the statement of profit and loss.

Taxation

The Plan is not subject to income taxes.

Income and expense recognition

Interest income is recognised in the statement of changes in net assets available for benefits using the effective interest method. Interest income in respect of the securities that are in default for more than 180 days is not recognised.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Dividend income is recognised in the statement of profit or loss on the date that the dividend is declared.

Commission expense

Commission expense is recognised using the accrual method when the corresponding service is provided. The basis for calculating the expense is explained in Note 9.

Pension contributions, pension payments and transfers

Pension contributions are accounted for when contributions or transfers are received by the Plan's custodian. Pension payments and transfers to other pension funds are recognised when the Plan has an obligation to pay or transfer pensions which arise at the request of one of the Plan's participants in accordance with the pension legislation.

3. Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policy of the Plan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on past experience and other factors that are deemed appropriate in the particular circumstances. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

4.1 Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

Amendments to IAS 7 *Disclosure Initiative*

The Plan has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The application of these amendments did not affect the Plan's financial statements, as there were no liabilities as a result of financial activity for the years ended 31 December 2017 and 2016.

4.2 New and revised IFRSs in issue but not yet effective

The Plan has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[1];
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*[1].

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets**. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Fund records pension assets in accordance with the FRS. The purpose of the FRS is to determine the specifics of accounting and reporting on pension assets that is subject to disclosure in the financial statements of the Plan.

The issues not regulated by the FRS are regulated by the Law of the Republic of Kazakhstan dated 28 February 2007 "On Accounting and Financial Reporting" and IFRS.

The Plan does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The management of the Plan does not anticipate that the application of this IFRIC will have a material impact on the Plan financial statements as the Plan currently uses the approach prescribed in IFRIC 22.

(in thousands of Kazakhstani Tenge)

5. Interest income

	Year ended 31 December 2017	Year ended 31 December 2016
Interest income comprises:		
Financial assets recorded at amortized cost:		
- unimpaired financial assets	459,413,243	535,886,921
- impaired financial assets	204,969	336,782
Financial assets at fair value	53,156,582	13,323,396
Total interest income	**512,774,794**	**549,547,099**
Financial assets recorded at amortized cost comprises:		
Financial assets at amortised cost	415,817,272	493,087,924
Bank deposits	40,402,218	38,329,128
Amounts receivable under reverse repurchase agreements	3,398,722	4,806,651
Total interest income on financial assets recorded at amortized cost	**459,618,212**	**536,223,703**
Financial assets at fair value:		
Financial assets at fair value through profit or loss	53,156,582	13,323,396
Total interest income on financial assets at fair value	**53,156,582**	**13,323,396**
Net interest income before impairment losses on interest bearing financial assets	**512,774,794**	**549,547,099**

6. Dividend income

	Year ended 31 December 2017	Year ended 31 December 2016
Equity Securities:		
Ordinary shares of JSC Kaztransoil	1,630,844	1,399,369
Others – domestic equity	1,517,039	595,689
Others – foreign equity	1,012,658	338,819
Ordinary shares of JSC KEGOC	736,749	240,000
GDR JSC Kcell	464,150	948,181
Preference shares of JSC Tsesnabank	404,118	202,059
Ordinary shares of JSC Kazakhtelecom	148,514	121,776
Ordinary shares JSC Kcell	132,601	264,747
Total dividend income	**6,046,673**	**4,110,640**

7. Net gain/(loss) on financial assets

	Year ended 31 December 2017	Year ended 31 December 2016
Net gain/(loss) on operations with financial assets at fair value through profit or loss	49,247,180	(2,657,906)
Net gain on operations with financial assets at amortised cost	3,050,699	1,824,380
Total net gain/(loss) on financial assets	**52,297,879**	**(833,526)**

	Year ended 31 December 2017	Year ended 31 December 2016
Net gain/(loss) on operations with financial assets at fair value through profit or loss comprises:		
Change in fair value, net	49,281,190	(5,280,553)
Dealing, net	(34,010)	2,622,647
Total net gain/(loss) on operations with financial assets at fair value through profit or loss	**49,247,180**	**(2,657,906)**

(in thousands of Kazakhstani Tenge)

	Year ended 31 December 2017	Year ended 31 December 2016
Net gain on operations with financial assets at amortised cost comprises:		
Dealing, net	3,050,699	1,824,380
Total net gain on operations with financial assets at amortised cost	**3,050,699**	**1,824,380**

Net unrealised gain on operations with financial assets at fair value through profit or loss for the year ended 31 December 2017 mainly occurred due to the total gain of KZT 46,245,481 thousand incurred on ordinary shares of JSC Halyk Bank, GDR JSC KazMunaiGas Exploration Production and GDR JSC Kcell.

Net unrealised loss on operations with financial assets at fair value through profit or loss for the year ended 31 December 2016 mainly occurred due to the total loss of KZT 16,153,570 thousand incurred on bonds of JSC Astana-Finance and JSC International Bank of Azerbaijan.

8. Net gain/(loss) on foreign exchange operations

	Year ended 31 December 2017	Year ended 31 December 2016
Translation difference, net	24,781,838	(20,495,803)
Total net gain/(loss) on foreign exchange operations	**24,781,838**	**(20,495,803)**

9. Commission expense

	Year ended 31 December 2017	Year ended 31 December 2016
Commission expense on investment income	28,128,788	42,474,846
Commission expense on pension assets	18,650,546	16,088,937
Total commission expense	**46,779,334**	**58,563,783**

In accordance with the Law on pensions, the Fund is authorised to receive a commission from the Plan not exceeding 7.5% per annum of net investment income on pension plan assets and 0.025% per month of total pension assets.

In 2017, the Plan accrued commission expenses on investment income from pension plan assets of 5.25% per annum (2016: 5.25% per annum). The calculation is performed on a monthly basis and for the calculation the Plan uses investment income on pension plan assets accrued for the month preceding the month for which the calculation and accrual of commission expenses is made.

In 2017, the Plan accrued commission expenses of 0.0225% per month on pension plan assets (2016: 0.0225% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission expenses is made. In the calculation, the Plan uses the value of pension plan assets without accrual of investment income from pension plan assets estimated in accordance with the Valuation rules.

(in thousands of Kazakhstani Tenge)

Commission expenses rates on pension plan assets and on investment income from pension plan assets were determined in accordance with regulation #260 of the Management Board of the NBRK dated 28 October 2016.

10. Cash and cash equivalents

	31 December 2017	31 December 2016
Current accounts with the NBRK	30,390,232	161,357,628
Total cash and cash equivalents	**30,390,232**	**161,357,628**

As at 31 December 2017 and 2016, no cash and cash equivalents are impaired or past due.

11. Bank deposits

	31 December 2017	31 December 2016
BANK OF TOKYO-MITSUBISHI, LTD., (THE LONDON BRANCH)	95,241,858	-
JSC Kazkommertsbank	83,281,629	88,104,038
MIZUHO CORPORATE BANK, LTD., (THE LONDON BRANCH)	54,362,634	-
JSC SB Sberbank of Russia	51,324,137	72,382,014
JSC Eurasian Bank	48,352,000	48,352,000
BANK OF MONTREAL	44,886,359	-
JSC ForteBank	41,174,027	41,174,027
CREDIT AGRICOLE CIB, (HONGKONG BRANCH)	32,959,781	-
ING BANK N.V.	24,981,371	-
SOCIETE GENERALE PARIS	24,981,371	-
JSC ATF Bank	20,535,671	33,660,233
JSC Kaspi Bank	20,301,918	20,301,918
JSC Nurbank	11,658,816	11,658,109
JSC Qazaq Banki	10,006,689	10,006,125
JSC Tengri Bank	7,774,933	7,774,728
JSC Bank of Astana	7,356,756	8,179,410
JSC AsiaCredit Bank	6,946,087	6,945,687
JSC SO VTB Bank (Kazakhstan)	3,752,247	3,761,892
JSC Capital Bank Kazakhstan	3,701,550	3,705,364
JSC SB Alfa-Bank	3,698,052	500,606
JSC Bank CenterCredit	3,027,485	3,027,410
JSC Bank Kassa Nova	1,947,731	2,775,128
JSC Eximbank Kazakhstan	975,993	12,701,899
JSC Tsesnabank	-	2,504,000
JSC Bank RBK	-	2,655,921
JSC Kazinvestbank	-	2,982,032
JSC Delta Bank	-	16,760,074
Total bank deposits	**603,229,095**	**399,912,615**

As at 31 December 2017, the accrued interest income amounted KZT 8,563,161 thousand (as at 31 December 2016: KZT 16,730,627 thousand) and was included in the bank deposits.

On 22 February 2017, JSC Delta Bank has repaid all deposits of the Plan held with JSC Delta Bank as at 31 December 2016, including accrued interest for the amount of KZT 16,760,074 thousand.

(in thousands of Kazakhstani Tenge)

As at 31 December 2016, bank deposits included deposit in JSC Kazinvestbank for amount of KZT 2,982,032 thousand. The interest on deposit is paid on semiannual basis and the next interest payment was due on 21 April 2017. As per the Decree of NBRK #291 dated 26 December 2016, it was decided to withdraw the banking license from JSC Kazinvestbank. In accordance with the impairment methodology for the pension assets of JSC Unified Accumulative Pension Fund developed in accordance with the Valuation rules and the Decree of NBRK №10 dated 17 January 2017, subsequently to the reporting date, the Plan has accrued provision on deposit with JSC Kazinvestbank for the amount of 50% of total outstanding value of the deposit.

In accordance with the NBRK Order No. 23-4-03/343 dated 2 June 2017, i, all previously created reserves for the deposit with JSC Kazinvestbank were restored and liabilities of JSC Kazinvestbank were transferred to the subsidiary of JSC Alfa-Bank by opening a bank deposit in the amount of KZT 3,176,557 thousand.

On 27 December 2017, the deposit in JSC Bank RBK was early repaid in the amount of KZT 2,650,518 thousand.

The analysis of changes of allowance for impairment losses for the years ended 31 December 2017 and 2016 is presented in the table below:

	2017	2016
Balance at the beginning of the year	-	-
Provision recognized	1,491,016	-
Recovery of provision	(1,449,613)	-
Transfer to other assets	(41,403)	-
Balance at the end of the year	-	-

12. Financial assets at fair value through profit or loss

	31 December 2017	31 December 2016
Financial assets designated at fair value through profit or loss:		
Debt securities	1,399,469,224	387,767,386
Equity securities	207,822,702	145,778,504
Total financial assets at fair value through profit or loss	**1,607,291,926**	**533,545,890**

(in thousands of Kazakhstani Tenge)

	31 December 2017	31 December 2016
Debt securities		
Government bonds		
US treasury bills	627,833,797	217,464,460
Notes of NBRK	591,664,797	-
Government bonds of the Republic of Azerbaijan	75,300,718	-
Bonds of Ministry of Finance of Russian Federation	21,069,363	4,107,580
Total government bonds	**1,315,868,675**	**221,572,040**
Corporate bonds		
JSC ForteBank	19,619,048	18,269,275
JSC Doszhan Temir Zholy	18,583,795	19,130,325
Merrill Lynch	18,580,943	16,334,651
Goldman Sachs International	6,289,274	5,964,353
JSC Kazexporttastyk	5,981,182	9,526,525
Bank of America, N.A.	4,555,433	3,515,656
JSC Abdi	2,545,959	2,767,732
Commerzbank AG	2,298,543	2,423,883
Societe Generale	1,665,078	1,878,815
JP Morgan	1,251,585	1,181,405
JSC Bank Centercredit	1,124,291	-
International Bank of Azerbaijan	-	75,012,817
JSC Astana-Finance	-	6,128,785
JSC Sat&Company	-	1,873,000
Other	1,105,418	2,188,124
Total corporate bonds	**83,600,549**	**166,195,346**
Total debt securities	**1,399,469,224**	**387,767,386**
Equity securities		
Ordinary shares of JSC Halyk Bank	59,100,407	36,881,347
GDR of JSC KazMunaiGas Exploration Production	47,428,632	28,685,739
GDR of JSC Kcell	14,735,302	9,476,789
Ordinary shares of JSC KazTransOil	14,077,761	13,046,752
Ordinary shares of JSC KEGOC	13,047,091	11,120,646
GDR of JSC SB Sberbank of Russia	9,724,875	6,645,072
Ordinary shares of JSC Kazakhtelecom	7,451,969	5,231,047
GDR of JSC Halyk Bank	6,351,580	4,125,602
Ordinary shares of JSC Tsesnabank	5,885,230	5,091,685
Ordinary shares of JSC Kcell	3,883,302	2,570,715
Ordinary shares of JSC KazMunaiGas Exploration Production	3,275,512	1,965,373
Ordinary shares of KAZ Minerals PLC	2,989,781	1,230,950
GDR of JSC Gasprom	2,908,680	3,196,300
Ordinary shares of JSC Bayan Sulu	2,496,600	963,439
Ordinary shares of PLC Rio Tinto	1,939,548	1,448,923
GDR of JSC SO VTB Bank (Kazakhstan)	1,455,700	1,880,083
Preferred shares of JSC Tsesnabank	1,266,911	1,323,017
Ordinary shares of JSC ForteBank	1,209,249	1,193,158
Other	8,594,572	9,701867
Total equity securities	**207,822,702**	**145,778,504**
Total financial assets at fair value through profit or loss	**1,607,291,926**	**533,545,890**

As at 31 December 2017, the accrued interest income of KZT 2,920,213 thousand (31 December 2016: KZT 5,091,870 thousand) was included in financial assets at fair value through profit or loss.

Reclassification

During the year ended 31 December 2017, securities were not reclassified from "amortised cost" into "fair value" category.

(in thousands of Kazakhstani Tenge)

During the year ended 31 December 2016, securities with a total carrying amount of KZT 89,204,407 thousand were reclassified from "amortised cost" into "fair value" category.

13. Amounts receivable under reverse repurchase agreements

	31 December 2017 Carrying value	31 December 2017 Fair value of collateral	31 December 2016 Carrying value	31 December 2016 Fair value of collateral
Notes of NBRK	10,023,092	10,318,143	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	1,000,507	1,045,570	-	-
Total accounts receivable under reverse repurchase agreement	**11,023,599**	**11,363,713**	-	-

As at 31 December 2017, the accrued interest income for the amount KZT 5,599 thousand (as at 31 December 2016: KZT Nil) was included in receivables under reverse repurchase agreements.

14. Financial assets at amortised cost

	31 December 2017	31 December 2016
Debt securities:		
Government bonds		
Ministry of Finance of the Republic of Kazakhstan	2,995,970,021	2,681,347,409
Government of the Russian Federation	175,474,690	127,264,959
Government of Brazil	33,186,771	-
Government of the Republic of Turkey	15,975,787	16,176,752
National Bank of the Republic of Kazakhstan	-	229,474,552
Total government bonds	**3,220,607,269**	**3,054,263,672**
Corporate bonds		
Kazakhstan banks	1,225,699,977	1,430,921,856
Kazakhstan State-owned organisations	791,680,305	900,165,778
Other - foreign	130,786,805	33,379,683
CIS-based financial institutions and corporations	104,510,291	116,489,673
Kazakhstan corporations	30,492,740	43,765,139
Provision for impairment losses	-	(326,774)
Total corporate bonds	**2,283,170,118**	**2,524,395,355**
Total financial assets at amortised cost	**5,503,777,387**	**5,578,659,027**

As at 31 December 2017, the accrued interest income amounted KZT 158,468,561 thousand (31 December 2016: KZT 166,316,214 thousand) is included in financial assets carried at amortized cost.

(in thousands of Kazakhstani Tenge)

The analysis of changes of allowance for impairment losses for the years ended 31 December 2017 and 2016, is presented in the table below:

	2017	2016
Balance at the beginning of the year	**326,774**	-
Provision recongnised	310,773	2,052,064
Provision recovery	(654,346)	-
Effect of foreign currency exchange difference	16,799	(7,626)
Transfer to other assets	-	(1,717,664)
Balance at the end of the year	**-**	**326,774**

As at 31 December 2016, financial assets at amortised cost included corporate bonds of JSC Delta Bank for the total amount of KZT 24,527,782 thousand, which were fully repaid on 22 February 2017. In connection with the sale of Samarco Mineracao SA, the scheme has restored reserves in the amount of KZT 654,346 thousand.

15. Other assets

	31 December 2017	31 December 2016
Interest on financial instruments – unimpaired	21,931,019	11,321,933
Overdue principal and interest on financial instruments - impaired	9,259,815	6,811,773
Other financial assets - gross	**31,190,834**	**18,133,706**
Impairment allowance	(2,570,909)	(1,951,306)
Total other assets	**28,619,925**	**16,182,400**

As at 31 December 2017, other assets included accrued interest income for amount of KZT 4,275,569 thousand (31 December 2016: KZT 3,371,826 thousand).

As at 31 December 2017 and 2016, principal and interest on financial instruments – unimpaired, included short-term receivables on financial instruments, for which coupon period is due, but period of interest repayments is not due in accordance with the securities prospectus.

The analysis of changes of allowance for impairment losses for the years ended 31 December 2017 and 2016, is presented in the table below:

	2017	2016
Balance at the beginning of the year	**1,951,306**	**5,017,365**
Provision recognised	4,497,545	70,007
Recovery of provision	(198,275)	-
Write-offs	(3,722,142)	(4,852,737)
Effect of foreign currency exchange difference	1,072	(993)
Transfer from financial assets at amortised cost	-	1,717,664
Transfer from bank deposits	41,403	-
Balance at the end of the year	**2,570,909**	**1,951,306**

During the year 2017, the Scheme ceased to recognize bonds of JSC Imstalkon due to formed reserves amounted 3,694,675 thousand tenge.

(in thousands of Kazakhstani Tenge)

16. Pension contributions received

	31 December 2017	31 December 2016
Mandatory pension contributions	718,748,417	519,695,515
Mandatory professional pension contributions	35,216,190	31,988,046
Penalties for undue payments of pension contributions	1,534,149	1,244,140
Voluntary pension contributions	424,939	275,334
Other contributions	111,581	1,082,462
Total pension contributions received	**756,035,276**	**554,285,497**

17. Benefits paid

	31 December 2017	31 December 2016
On retirement	125,328,102	97,286,047
To contributors leaving the Republic of Kazakhstan	24,091,240	19,550,354
To heirs	17,149,398	15,024,838
To disabled people	3,672,806	2,805,759
For burial services	2,917,039	2,918,033
On seniority	73,640	137,146
By court order		
	1,108	-
Total benefits paid	**173,233,333**	**137,722,177**
Transfers to insurance companies	26,058,089	22,688,655
Withholding tax deducted from benefits on payment	11,826,448	9,279,461
Total benefits paid	**211,117,870**	**169,690,293**

18. Risk management

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

Risk management policies and procedures

The Plan's risk management policies aim to identify, analyse and manage the risks faced by the Plan, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Plan's risk management system complies with the requirements of the Investment Declaration. In accordance with clause 4.1.8 of the Agreement on State Procurement of Trust Management Services for Pension Assets of JSC Unified Accumulative Pension Fund dated 26 August 2013, the Trustee shall ensure the availability of a risk management system when performing investment activities. The risk management system adopts an integrated approach, which sets controls aimed at timely identification, assessment and prevention of events that might cause interruption to the Plan's normal operations. The Plan's risk management procedures are set and operated by the Fund. The Fund carries out post-monitoring of the portfolio of pension and own assets, in management reporting, in which methods for assessing investment risks using various instruments are detailed and widely used. Consideration of reporting on the condition and exposure of the portfolio of pension assets and the Fund's own assets to financial risks is carried out on a monthly basis.

(in thousands of Kazakhstani Tenge)

The Board of Directors of the Fund approves the Plan's internal policies and procedures and has overall responsibility for oversight of the risk management framework. The Board approves internal regulatory documents on minimizing non-financial risks, which use tools for self-assessment of operational risks, methods for monitoring key risk indicators, which are leading indicators and reflect potential sources of operational risks, management methods of the internal system, which are the separation of powers , determination of the responsibility of the subjects of internal control with subsequent control of operations at each stage of the process and following the hierarchy / sequence of mandatory approval procedures by responsible persons / managers and in the continuous monitoring of the internal control system in the Fund. The Fund appoints responsible officers within each function, whose duties are to develop and regularly update the business process matrix and assess potential and identified risks inherent in these business processes.

Based on the results of using the above tools, within the framework of the operational risk management system, a risk mitigation plan is developed and approved, aimed both at eliminating the causes of risk realization and minimizing the consequences in case of risk events and potential risks.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, and equity prices will affect the Plan's change in net assets available for benefits or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The management of interest rate risk by monitoring the interest rate gap is supplemented by monitoring the sensitivity of the Plan's change in net assets available for benefits to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Plan's change in net assets available for benefits or the value of its portfolios of financial instruments.

Interest rate sensitivity analysis

An analysis of sensitivity of the Plan's projected change in the statement of profit or loss of the Plan to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of financial assets at fair value through profit or loss existing as at 31 December 2017 and 2016 is as follows:

Impact on net profit for the year:

	For the year ended 31 December 2017	For the year ended 31 December 2016
100 bp parallel rise	(13,872,188)	(3,962,576)
100 bp parallel fall	4,473,362	4,316,196

Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Plan does not hedge its exposure to currency risk.

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Notes to the Financial Statements (Continued)
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

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

Assets	KZT	USD	Other currencies	Total
Cash and cash equivalents	10,761,543	19,607,877	20,812	30,390,232
Bank deposits	325,815,721	277,413,374	-	603,229,095
Financial assets at fair value through profit or loss	758,278,594	811,510,149	37,503,183	1,607,291,926
Claims on reverse REPO	11,023,599	-	-	11,023,599
Financial assets at amortised cost	4,495,092,887	1,001,431,873	7,252,627	5,503,777,387
Other financial assets	28,245,514	374,411	-	28,619,925
Total assets	**5,629,217,858**	**2,110,337,684**	**44,776,622**	**7,784,332,164**
Liabilities				
Commission payable	1,831,433	-	-	1,831,433
Claims of beneficiaries	772,568	-	-	772,568
Other financial liabilities	4,291	-	1,396	5,687
Total liabilities	**2,608,292**	**-**	**1,396**	**2,609,688**
Net position	**5,626,609,566**	**2,110,337,684**	**44,775,226**	**7,781,722,476**

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

Assets	KZT	USD	Other currencies	Total
Cash and cash equivalents	9,611,065	144,675,222	7,071,341	161,357,628
Bank deposits	399,912,615	-	-	399,912,615
Financial assets at fair value through profit or loss	146,159,535	369,150,440	18,235,915	533,545,890
Financial assets at amortised cost	4,580,419,560	978,230,109	20,009,358	5,578,659,027
Other financial assets	15,796,408	385,992	-	16,182,400
Total assets	**5,151,899,183**	**1,492,441,763**	**45,316,614**	**6,689,657,560**
Liabilities				
Commission payable	2,912,727	-	-	2,912,727
Claims of beneficiaries	690,409	-	-	690,409
Other financial liabilities	30,278	-	447	30,725
Total liabilities	**3,633,414**	**-**	**447**	**3,633,861**
Net position	**5,148,265,769**	**1,492,441,763**	**45,316,167**	**6,686,023,699**

The following table details the Plan's sensitivity to 10% an increase and decrease in the USD and other currencies against the KZT as at 31 December 2017, respectively, and the Plan's sensitivity to 10% an increase and decrease in the USD and other currencies against the KZT as at 31 December 2016, respectively. The sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

(in thousands of Kazakhstani Tenge)

Impact on net profit for the year:

	For the year ended 31 December 2017
10% appreciation of USD against KZT	211,033,768
10% depreciation of USD against KZT	(211,033,768)
10% appreciation of other currencies against KZT	4,477,523
10% depreciation of other currencies against KZT	(4,477,523)

	For the year ended 31 December 2016
10% appreciation of USD against KZT	149,244,176
10% depreciation of USD against KZT	(149,244,176)
10% appreciation of other currencies against KZT	4,531,617
10% depreciation of other currencies against KZT	(4,531,617)

Equity price risk

Equity price risk is the risk that the value of an equity financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Equity price risk arises when the Plan takes a long or short position in an equity financial instrument.

An analysis of the sensitivity of the statement of profit or loss of the Plan for the year to changes in equity securities prices based on positions existing as at 31 December 2017 and 2016 and a simplified scenario of a 5% change in equity securities at fair value through profit or loss prices is as follows:

Impact on net profit for the year:

	For the year ended 31 December 2017	For the year ended 31 December 2016
5% increase in equity securities prices	10,391,135	7,288,925
5% decrease in equity securities prices	(10,391,135)	(7,288,925)

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a counterparty (issuer) on their obligation to the Plan. The Fund has developed policies and procedures for the management of credit exposures, including limits on individual financial instruments. The Fund continuously monitors limits for each issuer and regularly assesses the creditworthiness of each issuer. The review is based on the issuer's most recent financial statements and other information submitted by the issuer or otherwise obtained by the Fund.

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

(in thousands of Kazakhstani Tenge)

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

	31 December 2017	31 December 2016
ASSETS		
Cash and cash equivalents	30,390,232	161,357,628
Bank deposits	603,229,095	399,912,615
Financial instruments at fair value through profit or loss	1,607,291,926	533,545,890
Financial instruments at amortised cost	5,503,777,387	5,578,659,027
Other assets	28,619,925	16,182,400

As at 31 December 2017, the Plan has one counterparty (2016: one counterparty - the Ministry of Finance of the Republic of Kazakhstan), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for this counterparty (the Ministry of Finance of the Republic of Kazakhstan) as at 31 December 2017 is KZT 2,995,970,021 thousand (2016: KZT 2,681,347,409 thousand).

Financial assets are graded according to the current credit rating assigned by Standard and Poor's or other agencies converted into Standard & Poor's scale. The highest possible rating is AAA.

The Plan discloses rating of the security for its debt securities or the issuer's ratings if the security rating is not available. In case of two or more ratings available, the highest is disclosed, either international or national scale rating.

Unified Accumulative Pension Fund Joint Stock Company

Pension Plan Assets

Notes to the Financial Statements (Continued)
For the year ended 31 December 2017
(in thousands of Kazakhstani Tenge)

Below is a summary of credit ratings of investments held by the Plan as at 31 December 2017 and 2016:

	AAA	AA	A	BBB+	BBB	BBB-	<BBB-	Not rated	Total
31 December 2017									
Cash and cash equivalents	-	-	-	-	-	30,390,232	-	-	30,390,232
Bank deposits	182,564,273	-	121,983,001	94,849,101	-	-	203,832,720	-	603,229,095
Financial assets at fair value through profit or loss	3,119,368	661,223,123	89,849,951	277,784	30,794,238	21,681,099	774,641,945	25,704,418	1,607,291,926
Amounts receivable under reverse repurchase agreements	-	-	-	-	-	11,023,599	-	-	11,023,599
Financial assets at amortised cost	2,944,492	68,798,874	137,425,797	3,362,716	557,102,087	11,243,153	4,625,852,009	97,048,259	5,503,777,387
Other financial assets	-	-	-	-	-	10,994,595	-	17,625,330	28,619,925

	AAA	AA	AA-	A	BBB	BBB-	<BBB-	Not rated	Total
31 December 2016									
Cash and cash equivalents	-	-	-	-	-	161,357,628	-	-	161,357,628
Bank deposits	-	-	-	3,761,892	-	-	396,150,723	-	399,912,615
Financial assets at fair value through profit or loss	217,464,460	13,046,752	290,680	60,834,940	16,970,442	26,035,522	139,173,386	59,729,708	533,545,890
Financial assets at amortised cost	76,988,390	1,672,355	46,426,075	34,213,896	12,589,019	3,505,200,358	1,015,500,995	886,067,939	5,578,659,027
Other financial assets	-	-	-	-	-	-	-	16,182,400	16,182,400

Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The Fund manages the liquidity risk of the Plan based on Investment Declaration's requirements. The Fund monitors liquidity risk through periodic reporting using gap analysis tools to monitor the availability of funds required to meet obligations as they occur.

Due to the Plan's specific of operating activity and the structure of net assets the liquidity risk is remote.

(in thousands of Kazakhstani Tenge)

The following table shows assets and liabilities by remaining expected maturity dates as at 31 December 2017:

	Less than 1 month	1 to 3months	3 to 12 months	1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets								
Cash and cash equivalents	30,390,232	-	-	-	-	-	-	30,390,232
Bank deposits	104,701,060	172,712,314	-	77,280,392	248,535,329	-	-	603,229,095
Financial instruments at fair value through profit or loss	741,972,465	201,058,753	288,391,570	49,523,092	118,523,344	207,822,702	-	1,607,291,926
Reverse REPO	11,023,599	-	-	-	-	-	-	11,023,599
Financial instruments at amortised cost	34,988,860	58,154,936	258,892,226	1,328,894,920	3,822,846,445	-	-	5,503,777,387
Other financial assets	21,931,019	-	-	-	-	-	6,688,906	28,619,925
Total financial assets	**945,007,235**	**431,926,003**	**547,283,796**	**1,455,698,404**	**4,189,905,118**	**207,822,702**	**6,688,906**	**7,784,332,164**
Liabilities								
Claims of pension beneficiaries	-	772,568	-	-	-	-	-	772,568
Commission payable	-	1,831,433	-	-	-	-	-	1,831,433
Other financial liabilities	-	5,687	-	-	-	-	-	5,687
Total financial liabilities	**-**	**2,609,688**	**-**	**-**	**-**	**-**	**-**	**2,609,688**
Net position	**945,007,235**	**429,316,315**	**547,283,796**	**1,455,698,404**	**4,189,905,118**	**207,822,702**	**6,688,906**	**7,781,722,476**

The following table shows assets and liabilities by remaining expected maturity dates as at 31 December 2016:

	Less than 1 month	1 to 3months	3 to 12 months	1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets								
Cash and cash equivalents	161,357,628	-	-	-	-	-	-	161,357,628
Bank deposits	3,278,667	36,686,438	-	111,412,181	248,535,329	-	-	399,912,615
Financial instruments at fair value through profit or loss	50,525,129	166,795,736	10,328,091	37,681,140	122,437,289	145,778,505	-	533,545,890
Financial instruments at amortised cost	279,516,100	81,223,719	486,710,166	852,107,606	3,879,101,436	-	-	5,578,659,027
Other financial assets	11,321,933	-	-	-	-	-	4,860,467	16,182,400
Total financial assets	**505,999,457**	**284,705,893**	**497,038,257**	**1,001,200,927**	**4,250,074,054**	**145,778,505**	**4,860,467**	**6,689,657,560**
Liabilities								
Claims of pension beneficiaries	-	690,409	-	-	-	-	-	690,409
Commission payable	-	2,912,727	-	-	-	-	-	2,912,727
Other financial liabilities	-	30,725	-	-	-	-	-	30,725
Total financial liabilities	**-**	**3,633,861**	**-**	**-**	**-**	**-**	**-**	**3,633,861**
Net position	**505,999,457**	**281,072,032**	**497,038,257**	**1,001,200,927**	**4,250,074,054**	**145,778,505**	**4,860,467**	**6,686,023,699**

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

19. Contingencies

Insurance

In the market of insurance services in the Republic of Kazakhstan, there is a significant improvement in the quality of services provided when concluding insurance contracts and regulating insurance claims, expanding the list of voluntary insurance products for the population, developing direct sales of insurance services, but many forms of insurance common in other parts of the world are not yet available in Kazakhstan. The Fund does not have full insurance coverage for the losses of the Plan caused by business stoppages or arising obligations to third parties in respect of damage to property or the environment caused by accidents or Plan activities. Until the Fund has adequate insurance coverage for the activities of the Plan, there is a risk that the loss or damage of certain assets may have a material adverse effect on the activities and financial position of the Plan.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

During 2014-2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. In August 2015, the Government and the National Bank of the Republic of Kazakhstan announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

Management of the Plan is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Plan's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Plan might be significant.

20. Related party transactions

Control relationships

The Plan is managed by the Fund, which in turn, has given the Plan under fiduciary management of the NBRK. As at 31 December 2017 and 2016, the Fund was owned by the Government of the Republic of Kazakhstan, represented by CSPP.

(in thousands of Kazakhstani Tenge)

Transactions with related parties

The outstanding balances as at 31 December 2017 and related statement of profit or loss amounts of transactions for the year ended 31 December 2017 with related parties of the Plan were as follows:

	NBRK	The Fund	Ministry of Finance of the Republic of Kazakhstan	Other related parties	Total
Statement of net assets available for benefits					
ASSETS					
Cash and cash equivalents	30,390,232	-	-	-	30,390,232
Financial assets at fair value through profit or loss	591,664,797	-	-	85,501,381	677,166,178
Financial assets at amortised cost	-	-	2,995,970,021	791,680,305	3,787,650,326
LIABILITIES					
Commission payable	-	1,831,433	-	-	1,831,433
Statement of profit or loss					
Interest income	1,838,692	-	184,062,410	71,065,501	256,966,603
Dividend income	-	-	-	3,013,757	3,013,757
Commission expense	-	(46,779,334)	-	-	(46,779,334)

The outstanding balances as at of 31 December 2016 and related statement of profit or loss amounts of transactions for the year ended 31 December 2016 with related parties of the Plan were as follows:

	NBRK	The Fund	Ministry of Finance of the Republic of Kazakhstan	Other related parties	Total
Statement of net assets available for benefits					
ASSETS					
Cash and cash equivalents	161,357,628	-	-	-	161,357,628
Financial assets at fair value through profit or loss	-	-	-	60,356,338	60,356,338
Financial assets at amortised cost	229,474,552	-	2,681,347,409	828,824,269	3,739,646,230
LIABILITIES					
Commission payable	-	2,912,727	-	-	2,912,727
Statement of profit or loss					
Interest income	521,088	-	245,460,855	30,349,074	276,331,017
Dividend income	-	-	-	1,776,755	1,776,755
Commission expense	-	(58,563,783)	-	-	(58,563,783)

(in thousands of Kazakhstani Tenge)

21. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Plan's financial assets and financial liabilities measured at fair value on a recurring basis. Some of the Fund's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Hierarchy of fair value estimates

Investments measured and reported at fair value are also classified and disclosed in one of the following categories:

- Level 1 – Quoted prices are available in active markets for identical investments;
- Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are less liquid and restricted equity securities;
- Level 3 – data that is not available. This category includes tools evaluated using information that is not based on observable inputs, while such unobservable data has a significant impact on the valuation of the instrument. This category includes instruments valued on the basis of quotations for similar instruments for which significant unobservable adjustments or judgments are required to reflect the difference between the instruments. In accordance with the Valuation Rules, the carrying value of such financial instruments is determined based on the last fair value of these financial instruments determined by the valuations performed by the appraisers that were conducted as at 1 July 2017 and 1 July 2016, and as a result, the results of the valuation, are reflected as at 31 December 2017 and 2016, respectively. These estimates were made by independent appraisers, attracted by the NBRK, and the results were fully accepted by the NBRK and are reflected in the carrying amount of the assets at fair value through profit or loss.

The table below provides an analysis of financial assets and liabilities as at 31 December 2017 and 31 December 2016 in terms of the levels of the hierarchy of fair value.

	Fair value as at			
Financial assets	**31 December 2017**	**31 December 2016**	**Fair value hierarchy**	**Valuation technique and key input**
Non-derivative financial assets at fair value through profit or loss	1,512,840,953	431,643,787	Level 1	Quoted bid prices in an active market
Non-derivative financial assets at fair value through profit or loss	94,450,973	101,902,103	Level 3	Discounted Cash flows

As at 31 December 2017 and 2016, the appraiser has determined financial assets at fair value through profit or loss. The appraiser was hired by NBRK under the trust management agreement for the assets of the pension Plan.

During the years ended 31 December 2017 and 2016, there was no reclassification of financial instruments between the Level 1 and 2.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The Plan considers that the carrying amounts of financial assets recognized in the financial statements approximate their fair values.

(in thousands of Kazakhstani Tenge)

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss – unlisted shares	
	2017	**2016**
Opening balance	**101,902,103**	**147,342,376**
Total gains and losses recognized in profit or loss	(6,994,666)	(16,269,612)
Repaid	(456,464)	(29,170,661)
Closing balance	**94,450,973**	**101,902,103**

All gains and losses included in net profit for the year relate to unlisted common and preferred stock, depository receipts, coupon bonds and notes.

22. Subsequent events

Change in the commission rate

In accordance with Article 53 of the Law of the Republic of Kazakhstan "On Pensions in the Republic of Kazakhstan" dated 21 June 2013, the Management Board of the NBRK issued a resolution "On setting the commission fee of JSC "Unified Accumulative Pension Fund" for 2018 No. 199 dated 2 November 2017. In accordance with this resolution, starting from 1 January 2018, the Fund will receive a commission fee of 0.015% per month from the total amount of the pension Plan assets.