

**JOINT STOCK COMPANY  
UNIFIED ACCUMULATIVE  
PENSION FUND**

Financial Statements and  
Independent Auditor's Report  
For the year ended 31 December 2019

# Joint Stock Company Unified Accumulative Pension Fund

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# Joint Stock Company Unified Accumulative Pension Fund

## Statement of Management's Responsibilities For the Preparation and Approval of the Financial Statements For the year ended 31 December 2019

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Management of Joint Stock Company Unified Accumulative Pension Fund ("the Fund") is responsible for the preparation of the financial statements that present fairly the financial position of the Fund as at 31 December 2019, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements ("the financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Fund's financial position and financial performance; and
- Making an assessment of the Fund'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 Fund;
- Maintaining adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IFRS;
- Maintaining accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Fund; and
- Detecting and preventing fraud and other irregularities.

The financial statements of the Fund for the year ended 31 December 2019 were authorized for issue by the Management of the Fund on 16 March 2020.

On behalf of the Management Board:

  
\_\_\_\_\_  
**Kurmanov Zhanat Bostanovich**  
**Chairperson of the Management Board**

16 March 2020  
Almaty



  
\_\_\_\_\_  
**Sarinova Amankul Zhaksylykovna**  
**Chief Accountant - Accounting  
Department Director**

16 March 2020  
Almaty

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Joint Stock Company Unified Accumulative Pension Fund

### Opinion

We have audited the financial statements of Joint Stock Company Unified Accumulative Pension Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### 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 Fund 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 IFRSs, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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

16 March 2020  
Almaty

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

The image shows a circular blue seal for Nurlan Bekenov. The seal contains the text "Қазақстан Республикасының Аудиторлық Палатасы" and "0082".



# Joint Stock Company Unified Accumulative Pension Fund

## Statement of Profit or Loss and Other Comprehensive Income For the year Ended 31 December 2019 (in thousands of Kazakhstani Tenge)

|  | Notes  | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--|--------|-----------------------------------|-----------------------------------|
| Commission income  | 5, 24  | 58,010,578                        | 60,076,680                        |
| Commission expense   | 6, 24  | (9,596,562)                       | (8,192,785)                       |
| <b>Net commission income</b>   |        | <b>48,414,016</b>                 | <b>51,883,895</b>                 |
| Net interest income  | 7, 24  | 11,849,268                        | 8,174,306                         |
| Net gain on financial assets at amortized cost   |        | -                                 | 1,195,531                         |
| Recovery of provision for impairment losses  | 20     | 690,509                           | 404,486                           |
| Net foreign exchange (loss)/gain   |        | (609)                             | 469                               |
| Other operating (expense)/income, net  | 24     | (83,883)                          | 491,107                           |
| <b>Operating income</b>  |        | <b>60,869,301</b>                 | <b>62,149,794</b>                 |
| Personnel expenses   | 8, 24  | (7,900,275)                       | (7,917,825)                       |
| General administrative expenses  | 9, 24  | (3,999,522)                       | (4,308,062)                       |
| <b>Profit before income tax</b>  |        | <b>48,969,504</b>                 | <b>49,923,907</b>                 |
| Income tax expense   | 10, 24 | (7,599,208)                       | (8,632,391)                       |
| <b>Net profit</b>  |        | <b>41,370,296</b>                 | <b>41,291,516</b>                 |
| <b>Other comprehensive income, net of income tax</b>   |        |                                   |                                   |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>   |        |                                   |                                   |
| Gain on revaluation of property and equipment (net of income tax<br>2019: KZT 12,156 thousand, 2018: KZT 5,509 thousand) |        | 60,782                            | 27,544                            |
| <b>Other comprehensive income</b>  |        | <b>60,782</b>                     | <b>27,544</b>                     |
| <b>Total comprehensive income</b>  |        | <b>41,431,078</b>                 | <b>41,319,060</b>                 |

On behalf of the Management Board:

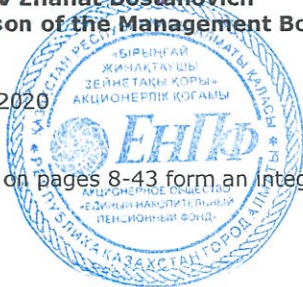
  
**Kurmanov Zhanat Bostanovich**  
**Chairperson of the Management Board**

16 March 2020  
 Almaty

  
**Sarinova Amankul Zhaksylykovna**  
**Chief Accountant – Accounting  
 Department Director**

16 March 2020  
 Almaty

The notes on pages 8-43 form an integral part of these financial statements.



# Joint Stock Company Unified Accumulative Pension Fund

## Statement of Financial Position As at 31 December 2019 (in thousands of Kazakhstani Tenge)

|  | Notes  | 31 December<br>2019 | 31 December<br>2018 |
|--|--------|---------------------|---------------------|
| <b>ASSETS</b>  |        |                     |                     |
| Cash and deposits with the National Bank of the Republic of Kazakhstan | 11, 24 | 18,182,738          | 7,572,852           |
| Financial assets at amortised cost                                     | 12, 24 | 142,768,315         | 109,673,955         |
| Commission receivable  | 13, 24 | 5,227,942           | 6,729,407           |
| Current tax asset  | 24     | 12,796              | 302,091             |
| Property, equipment and intangible assets                              | 14     | 4,218,710           | 3,321,852           |
| Investment property  | 15     | 6,148,801           | 7,647,811           |
| Rights-of-use assets   | 24     | 682,610             | -                   |
| Deferred tax assets  | 10     | 259,235             | 287,328             |
| Other assets   | 16, 24 | 1,067,197           | 876,275             |
| <b>Total assets</b>  |        | <b>178,568,344</b>  | <b>136,411,571</b>  |
| <b>LIABILITIES AND EQUITY</b>  |        |                     |                     |
| Commission payable to NBRK for fiduciary management of the Plan        | 17, 24 | 602,372             | 571,088             |
| Lease liabilities  | 24     | 764,449             | -                   |
| Other liabilities  | 18, 24 | 1,611,049           | 1,661,813           |
| <b>Total liabilities</b>   |        | <b>2,977,870</b>    | <b>2,232,901</b>    |
| <b>EQUITY</b>  |        |                     |                     |
| Share capital  | 19     | 7,114,244           | 7,114,244           |
| Statutory reserve  | 19     | 4,056,517           | 4,056,517           |
| Revaluation reserve for property and equipment                         |        | 70,386              | 27,976              |
| Retained earnings  |        | 164,349,327         | 122,979,933         |
| <b>Total equity</b>  |        | <b>175,590,474</b>  | <b>134,178,670</b>  |
| <b>Total liabilities and equity</b>                                    |        | <b>178,568,344</b>  | <b>136,411,571</b>  |

On behalf of the Management Board:

  
**Kurmanov Zhanat Bostanovich**  
 Chairperson of the Management Board

16 March 2020  
 Almaty

  
**Sarinova Amankul Zhaksylykovna**  
 Chief Accountant – Accounting  
 Department Director

16 March 2020  
 Almaty

The notes on pages 8-43 form an integral part of these financial statements.



# Joint Stock Company Unified Accumulative Pension Fund


Statement of Changes in Equity  
For the year ended 31 December 2019  
(in thousands of Kazakhstani Tenge)

|   | Share capital | Statutory reserve | Revaluation deficit on available-for-sale financial assets | Revaluation reserve for property and equipment | Retained earnings | Total       |
|---|---------------|-------------------|--|--|-------------------|-------------|
| <b>As at 31 December 2017</b>   | 7,114,244     | 4,056,517         | (1,595,294)  | 2,807  | 81,701,326        | 91,279,600  |
| The effect of applying IFRS 9*  | -             | -                 | 1,595,294  | -  | (15,284)          | 1,580,010   |
| <b>Restated opening balance in accordance with IFRS 9</b>             | 7,114,244     | 4,056,517         | -  | 2,807  | 81,686,042        | 92,859,610  |
| Profit for the year   | -             | -                 | -  | -  | 41,291,516        | 41,291,516  |
| Transfer from revaluation reserve for property and equipment, net tax | -             | -                 | -  | (2,375)  | 2,375             | -           |
| Other comprehensive income  | -             | -                 | -  | 27,544   | -                 | 27,544      |
| <b>As at 31 December 2018</b>   | 7,114,244     | 4,056,517         | -  | 27,976   | 122,979,933       | 134,178,670 |
| The effect of applying IFRS 16  | -             | -                 | -  | -  | (19,274)          | (19,274)    |
| Profit for the year   | -             | -                 | -  | -  | 41,370,296        | 41,370,296  |
| Transfer from revaluation reserve for property and equipment, net tax | -             | -                 | -  | (18,372)                                       | 18,372            | -           |
| Other comprehensive income  | -             | -                 | -  | 60,782   | -                 | 60,782      |
| <b>As at 31 December 2019</b>   | 7,114,244     | 4,056,517         | -  | 70,386   | 164,349,327       | 175,590,474 |

\*The effect of applying IFRS 9 includes the impact on provisions as disclosed in Note 20 and the effect of reclassification of financial assets available-for-sale to financial assets at amortised cost.

On behalf of the Management Board:

  
**Kurmanov Zhanat Bostanovich**  
Chairperson of the Management Board

  
**Sarinova Amankul Zhaksylykovna**  
Chief Accountant – Accounting  
Department Director

16 March 2020  
Almaty

The notes on pages 8-43 form an integral part of these financial statements.



# Joint Stock Company Unified Accumulative Pension Fund

## Statement of Cash Flows For the year ended 31 December 2019 (in thousands of Kazakhstani Tenge)

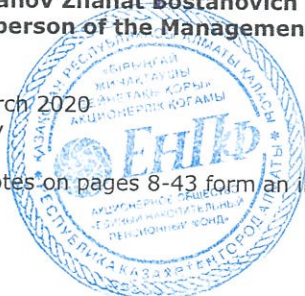
|  | Notes | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--|-------|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |       |                                   |                                   |
| <b>Profit before income tax</b>                                  |       | <b>48,969,504</b>                 | <b>49,923,907</b>                 |
| <i>Adjustments for:</i>  |       |                                   |                                   |
| Depreciation and amortisation                                    | 9, 14 | 1,114,749                         | 1,162,971                         |
| Depreciation and amortisation of rights-of-use assets            | 9     | 559,752                           | -                                 |
| Gain on disposal of financial assets at amortised cost           |       | -                                 | (12,055)                          |
| Loss on disposal of property, equipment and intangible assets    |       | 7,005                             | 8,291                             |
| Loss on revaluation of property, equipment                       | 14    | 217,330                           | -                                 |
| Loss/(gain) on revaluation of investment property                | 15    | 459,914                           | (13,457)                          |
| Other reserves   |       | 63,351                            | 505,124                           |
| Recovery of provision for impairment loss                        | 20    | (690,509)                         | (404,486)                         |
| Net foreign exchange loss /(gain)                                |       | 609                               | (469)                             |
| Net interest income  | 7     | (11,849,268)                      | (8,174,306)                       |
| <b>Decrease/(increase) in operating assets</b>                   |       |                                   |                                   |
| Commission receivable  |       | 1,501,465                         | (4,897,974)                       |
| Other assets   |       | (249,832)                         | (545,407)                         |
| <b>Increase/(decrease) in operating liabilities</b>              |       |                                   |                                   |
| Commission payable to NBRK for fiduciary management of the Plan  |       | 31,284                            | (9,731,210)                       |
| Lease liabilities  |       | (247,396)                         | -                                 |
| Other liabilities  |       | (119,299)                         | (418,094)                         |
| <b>Cash inflow from operations before income taxes</b>           |       | <b>39,768,659</b>                 | <b>27,402,835</b>                 |
| Income tax paid  |       | (7,281,820)                       | (5,918,197)                       |
| <b>Net cash inflow from operating activities</b>                 |       | <b>32,486,839</b>                 | <b>21,484,638</b>                 |
| <b>CASH FROM INVESTING ACTIVITIES</b>                            |       |                                   |                                   |
| Placements of deposits in the NBRK                               |       | (2,633,697,000)                   | (1,273,857,899)                   |
| Proceeds from deposits in the NBRK                               |       | 2,622,424,095                     | 1,291,619,000                     |
| Acquisition of financial assets at amortised cost                |       | (275,494,445)                     | (918,373,543)                     |
| Maturity of financial assets at amortised cost                   |       | 245,988,239                       | 865,558,571                       |
| Purchases of property, equipment and intangible assets           | 14    | (1,131,886)                       | (923,463)                         |
| Interest received  |       | 8,931,501                         | 4,308,375                         |
| Proceeds from investment property                                | 15    | 31,838                            | -                                 |
| Purchase of reverse repurchase agreements                        |       | -                                 | (28,260,011)                      |
| Sale of reverse repurchase agreements                            |       | -                                 | 36,260,011                        |
| <b>Net cash outflow from investing activities</b>                |       | <b>(32,947,658)</b>               | <b>(23,668,959)</b>               |
| <b>CASH FROM FINANCING ACTIVITIES</b>                            |       |                                   |                                   |
| Repayment of lease liabilities                                   |       | (339,333)                         | -                                 |
| <b>Net cash used in financing activities</b>                     |       | <b>(339,333)</b>                  | <b>-</b>                          |
| <b>Net decrease in cash and cash equivalents</b>                 |       | <b>(800,152)</b>                  | <b>(2,184,321)</b>                |
| Effect of changes in exchange rates on cash and cash equivalents |       | (620)                             | 3,246                             |
| <b>Cash and cash equivalents as at the beginning of the year</b> | 11    | <b>1,116,286</b>                  | <b>3,297,361</b>                  |
| <b>Cash and cash equivalents as at the end of the year</b>       | 11    | <b>315,514</b>                    | <b>1,116,286</b>                  |

On behalf of the Management Board:

  
Kurmanov Zhanat Bostanovich  
Chairperson of the Management Board

16 March 2020  
Almaty

The notes on pages 8-43 form an integral part of these financial statements.



  
Sarinova Amankul Zhaksylykovna  
Chief Accountant – Accounting  
Department Director

16 March 2020  
Almaty

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019  
(in thousands of Kazakhstani Tenge)

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## 1. Organization

### Organization and operations

JSC Unified Accumulative Pension Fund (hereinafter - "the Fund") initially was incorporated on 17 December 1997 by the Government of the Republic of Kazakhstan as CJSC "State Accumulative Pension Fund" in accordance with Decree No. 1372 dated 24 September 1997. The Fund was established under the pension reform undertaken in the Republic of Kazakhstan in 1997, in the transition to a defined contribution pension system. On 1 February 2005, the Fund was re-registered as JSC "State Accumulative Pension Fund "SAPF".

On 21 June 2013, the new edition of the Law of the Republic of Kazakhstan "On pensions in the Republic of Kazakhstan" (hereinafter - "the Law on pensions") was approved. In accordance with the Law on pensions, all mandatory pension and mandatory professional pension contributions in the Republic of Kazakhstan are to be accumulated by the Fund, and all pension assets and liabilities accumulated to that date at other accumulation pension funds were to be transferred to the Fund. The transfer of pension assets and liabilities started on 11 October 2013 and ended on 26 June 2014.

On 31 July 2013, the Government of the Republic of Kazakhstan issued a Decree No. 747 on the rename of the JSC "State Accumulative Pension Fund "SAPF" to non-commercial JSC "Unified Accumulative Pension Fund". On 22 August 2013, the Fund was re-registered as JSC "Unified Accumulative Pension Fund" due to the change in its name. According to the Charter and the Law on pensions, the Fund is a not-for-profit organisation, consequently, the Fund does not declare and pay any dividends on its shares. The sole shareholder of the Fund in accordance with the Law on pensions 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 (hereinafter - "the CSPP"). In accordance with the Law on pensions and the Agreement on fiduciary management signed by the National Bank of Republic of Kazakhstan (hereinafter - "the NBRK") on 24 September 2013 and by the CSPP on 25 September 2013, the state portfolio of shares of the Fund was passed under the fiduciary management to the NBRK. In accordance with the Agreement on fiduciary management signed by National Bank of the Republic of Kazakhstan No. 362 dated 26 August 2013, custody, accounting and investment management of pension assets accumulated at the Fund is performed by the NBRK.

The Fund performs the function of pension funds accumulation for the pension plan assets (hereinafter - "the Plan"). In accordance with the Law on pensions and the Charter, the principal activities of the Fund are:

- bringing of mandatory and voluntary pension, and professional pension contributions;
- payment of accumulated pensions.

As at 31 December 2019 and 2018, the Plan's pension assets were held in the custody of the NBRK.

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

In accordance with Article 53 of the Law on pensions, the Management Board of the NBRK issued a Resolution "On setting the commission fee of JSC "Unified Accumulative Pension Fund" for 2020 No. 179 dated 11 November 2019. In accordance with this Resolution, starting from 1 January 2020, the Plan pays a commission fee of 2% from the total amount of the investment income (2019 - 5%), 0.011% from the total amount of the pension assets (2018 - 0.015%).

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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In 2019, the Fund received commission income on investment income from pension plan assets of 5.00% (2018: 5.25%). The calculation and accrual of commission income is made in accordance with the Rules for charging commissions by the unified accumulative pension fund approved by the Resolution of the National Bank of the Republic of Kazakhstan No. 185 dated 26 July 2013, on a monthly basis and the investment income from the Pension Plan assets accrued for the month is used to calculate the results of which the value of the Pension Plan assets is calculated, which is used for the calculation of the commission income of the Pension Plan assets.

In 2019, the Fund received commission income of 0.015% per month on pension plan assets (2018: 0.015% 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 income 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 Rules "On accounting and valuation of pension assets" developed by the NBRK in Decree No. 24 dated 26 February 2014 (hereinafter - "the Valuation Rules").

Commission income rates on pension plan assets and on investment income from pension plan assets for 2019 were determined in accordance with Regulation No. 279 of the Management Board of the NBRK dated 29 October 2018.

In addition to accounting of the Plan's assets, the Fund conducts operations with its own assets, which are reflected in the current financial statements. The pension plan's assets are disclosed in the financial statements of the Plan's pension assets and are not reflected in these financial statements in accordance with the Pension Law, the Fund maintains accounting and prepares financial statements, as well as presents financial and other statements, primary statistical data to NBRK separately for:

- Pension plan assets formed from compulsory pension contributions, compulsory professional pension contributions and voluntary pension contributions;
- Own assets intended to ensure the financial and economic activities of the Fund.

The Fund's legal address is Republic of Kazakhstan, Almaty, 223 Nazarbayev Avenue, 247, zip code A15T6M5. As at 31 December 2019 and 2018, the Fund had 18 branches operating in the Republic of Kazakhstan.

As at 31 December 2019 and 2018, the Fund had 1,584 and 1,574 employees, respectively.

### Shareholder

As at 31 December 2019 and 2018, the sole shareholder of the Fund was the Government of the Republic of Kazakhstan represented by the CSPP.

## 2. Significant accounting policies

### Statement of compliance

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

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

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

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

### Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments.

Exchange rates for the currencies in which the Fund transacts were as follows:

|                           | 31 December<br>2019 | 31 December<br>2018 |
|---------------------------|---------------------|---------------------|
| KZT/1 US Dollar (USD)     | 382.59              | 384.20              |
| KZT/1 Euro (EUR)          | 429                 | 439.37              |
| KZT/1 Russian Ruble (RUR) | 6.16                | 5.52                |

The same accounting policies, presentation and methods of computation have been followed the year ended 31 December 2019 as were applied in the preparation of the Fund's financial statements for the year ended 31 December 2018.

### Impact of initial application of IFRS 9 Financial Instruments

In the 2018 year, the Fund has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow Fund not to restate comparatives. Corresponding information was not restated, as the modified retrospective approach was applied on transition, which allows recognition of differences to be accounted for in the opening retained earnings at the beginning of the period. Additionally, the Fund adopted consequential amendments to *IFRS 7 Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets; and
3. General hedge accounting.

### Net interest income

Interest income for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognised as Interest income in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see Net gain/(loss) on financial assets at FVTPL.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.



# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### Fee and commission income/expense

Fee and commission income include fees other than those that are an integral part of EIR (see above). Calculation of fee and commission income is disclosed in Note 1. The costs of services and fees to be paid are recognized when services are received. Commission expenses include the basic commission calculated differentially, depending on the group of the portfolio of financial instruments (from 0 to 0.06% per month), in accordance with Appendix 1 to the Agreement on trust management services for pension assets of Fund No. 362NB dated 26 August 2013.

### Net gain/(loss) on financial assets at FVTPL

Net gain/(loss) on financial assets at FVTPL includes all gains and losses from changes in the fair value of financial assets.

### Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments 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 amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

### Debt instruments at amortized cost or at FVTOCI

The Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Fund has more than one business model for managing its financial instruments that reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Fund considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Fund does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Fund takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Fund reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Fund has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

### **Financial assets at FVTPL**

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not solely SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### Reclassifications

If the business model under which the Fund holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Fund's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

### Impairment

The Fund recognizes loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Cash and deposits with the National Bank of the Republic of Kazakhstan;
- Financial assets at amortised cost;
- Other assets.

No impairment loss is recognized on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

### Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Fund assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Fund considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

# Joint Stock Company Unified Accumulative Pension Fund

**Notes to the Financial Statements**  
**For the year ended 31 December 2019 (Continued)**  
*(in thousands of Kazakhstani Tenge)*

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## **Definition of default**

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

## **Significant increase in credit risk**

The Fund monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Fund will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Fund's historical experience and expert credit assessment including forward-looking information.

The Fund allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Fund uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Fund still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

## **Modification and derecognition of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Fund assesses whether this modification results in derecognition. In accordance with the Fund's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Fund considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.



# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

The Fund derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

### **Presentation of allowance for ECL in the statement of financial position**

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

### Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

### Derecognition of financial liabilities

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 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 is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

### Effect of transition

The following table set out the classification and measurement impact of adopting IFRS 9 on the statement of financial position and retained earnings including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 expected credit loss calculations. Remeasurement represents changes in the carrying amount of the financial assets due to changes in their measurement. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as at 1 January 2018 is as follows:

|  |                        | As at<br>31 December<br>2017,<br>IAS 39<br>Carrying<br>Amount | Reclassifi-<br>cation | Remeasu-<br>rement | As at<br>1 January<br>2018,<br>IFRS 9<br>Carrying<br>Amount | IFRS 9<br>Measurement<br>category |
|--|------------------------|---|-----------------------|--------------------|---|-----------------------------------|
| Cash and<br>deposits with<br>the NBRK      | Amortized<br>cost      | 27,434,003  | -                     | (87)               | 27,433,916  | Amortized<br>cost                 |
| Financial assets<br>available-for-<br>sale | Available-<br>for-sale | 59,549,660  | (59,549,660)          | -                  | -   | FVOCI                             |
| Financial assets<br>at amortised<br>cost   | Held-to-<br>maturity   | -   | 59,549,660            | (15,197)           | 59,534,463  | Amortized<br>cost                 |

### 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 Fund is the Kazakhstani tenge ("KZT"). All values are rounded to the nearest thousand tenge, except when otherwise indicated.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the National Bank of the Republic of Kazakhstan with original maturity of less or equal to 3 months and amounts due from credit institutions with original maturity of less or equal to 3 months and are free from contractual encumbrances.

### Property and equipment

Land, buildings and vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land, buildings and vehicles is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land, buildings and vehicles is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and vehicles is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land owned by the Fund is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

|                                 |               |
|---------------------------------|---------------|
| Buildings and other real estate | 2.5%          |
| Computer equipment              | 20-50%        |
| Office equipment                | 4.0-100.0%    |
| Transport                       | 14.3% - 20.0% |
| Intangible assets               | 10%-100.0%    |

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Intangible assets**

#### **Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### **Internally-generated intangible assets**

Intangible assets created by own resources - research and development work. Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### **Impairment of tangible and intangible assets**

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

### **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Fund's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Fund management reviewed the Fund's investment property portfolios and concluded that none of the Fund's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Fund's management has determined that the 'sale' presumption set out in the amendments to IAS 12 *Income Taxes* is not rebutted. As a result, the Fund has not recognised any deferred taxes on changes in fair value of the investment properties as the Fund is not subject to any income taxes on the fair value changes of the investment properties on disposal.

### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Operating taxes

The Republic of Kazakhstan, where the Fund operates also have various taxes, other than income tax, which are applied to the Fund's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

### Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### Foreign currencies

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

### Equity reserves

The reserves recorded in equity on the Fund's statement of financial position includes revaluation reserve for property and equipment.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies the Fund management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

### Critical accounting judgements

#### Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### Significant increase of credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Fund takes into account qualitative and quantitative reasonable and supportable forward looking information.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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### Models and assumptions used

The Fund uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

### Useful lives of property, plant and equipment

As described above, the Fund reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

### Recoverability of deferred tax assets

The management of the Fund is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to KZT 259,235 thousand and KZT 287,328 thousand as at 31 December 2019 and 2018, respectively.

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

### New and amended IFRS Standards that are effective for the current year

#### Leases

Impact of initial application of IFRS 16 Leases. In the current year, the Fund has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Fund's financial statements is described below.

The date of initial application of IFRS 16 for the Fund is 1 January 2019. The Fund has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

#### Impact of the new definition of a lease

The Fund has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

#### Impact on Lessee Accounting

*Operating leases:* IFRS 16 changes how the Fund accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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Applying IFRS 16, for all leases (except as noted below), the Fund:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right of use assets and interest on lease liabilities in profit or loss;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Fund has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **Impact on Lessor Accounting**

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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In the current year, the Fund has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9  
*Prepayment Features with  
Negative Compensation*

The Fund has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

*Annual Improvements to IFRS  
Standards 2015–2017 Cycle*  
Amendments to IAS 12 *Income  
Taxes*

The Fund has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in the current year. The *Annual Improvements* include amendments to the following standard:

*IAS 12 Income Taxes*. The amendments clarify that the Fund should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Fund originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IFRIC 23 *Uncertainty over Income  
Tax Treatments*

The Fund has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Fund to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Fund should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Fund should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

### **New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1 and IAS 8  
Conceptual Framework

*Definition of material*  
*Amendments to References to the Conceptual Framework in IFRS  
Standards*

The management of the Fund do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Fund in future periods.



# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

### 5. Commission income

|  | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--|-----------------------------------|-----------------------------------|
| Commission from investment income on Pension Plan assets | 40,563,014                        | 45,427,644                        |
| Commission on Pension Plan assets                        | 17,447,564                        | 14,649,036                        |
| <b>Total commission income</b>                           | <b>58,010,578</b>                 | <b>60,076,680</b>                 |

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

In 2019, the Fund received commission income on investment income from pension plan assets of 5.00% (2018: 5.25%). The calculation and accrual of commission income is made on a monthly basis and the investment income from the Pension Plan assets accrued for the month is used to calculate the results of which the value of the Pension Plan assets is calculated, which is used for the calculation of the commission income of the Pension Plan assets.

In 2019, the Fund received commission income of 0.015% per month on pension plan assets (2018: 0.015% per month). The calculation is performed on a monthly basis and for the calculation the pension 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 income is made. In the calculation, the pension plan uses the value of pension plan assets without accrued investment income.

Commission income rates on pension plan assets and on investment income from pension plan assets for 2019 were determined in accordance with regulation No. 279 of the Management Board of the NBRK dated 29 October 2018.

### 6. Commission expense

|  | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--|-----------------------------------|-----------------------------------|
| Fiduciary management of pension assets by the NBRK | 6,110,040                         | 5,221,493                         |
| Custody operations                                 | 2,912,685                         | 2,384,785                         |
| Bank services                                      | 415,220                           | 544,491                           |
| Other  | 158,617                           | 42,016                            |
| <b>Total commission expense</b>                    | <b>9,596,562</b>                  | <b>8,192,785</b>                  |

In 2019 and 2018, the Fund paid base commission to the NBRK, which was differentiated based on the financial instrument portfolio group (from 0 to 0.06% per month), in accordance with Appendix 1 to the State Procurement Agreement for the Fiduciary Management of the Fund No. 362NB dated 26 August 2013. According to Resolution of the Board of Directors of the NBRK No. 22 dated 19 March 2018, the payment of commission on success fee was cancelled.

Bank services represents services of second-tier banks related to transfers, accruals and payments of pension savings.

The statement "Other" includes reimbursement of expenses to the State Corporation for the provision of pension payments in the amount of KZT 117,364 thousand (2018: KZT Nil) and payment order services for pension assets in the amount of KZT 41,253 thousand (2018: KZT 42,016 thousand).

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

## 7. Net interest income

|   | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---|-----------------------------------|-----------------------------------|
| <b>Interest income comprises:</b>   |                                   |                                   |
| Financial assets recorded at amortized cost:                                |                                   |                                   |
| - unimpaired financial assets   | 11,939,635                        | 8,174,306                         |
| <b>Total interest income</b>  | <b>11,939,635</b>                 | <b>8,174,306</b>                  |
| <b>Financial assets recorded at amortized cost comprises:</b>               |                                   |                                   |
| Debt securities at amortized cost   | 10,717,098                        | 6,638,935                         |
| Term deposits with the NBRK   | 1,222,537                         | 1,481,525                         |
| Amounts receivable under reverse repurchase agreements                      | -                                 | 53,782                            |
| Current accounts with banks   | -                                 | 64                                |
| <b>Total interest income on financial assets recorded at amortized cost</b> | <b>11,939,635</b>                 | <b>8,174,306</b>                  |
| Interest expense on lease liabilities                                       | (90,367)                          | -                                 |
| <b>Net interest income before expected credit losses</b>                    | <b>11,849,268</b>                 | <b>8,174,306</b>                  |

## 8. Personnel expenses

|                                 | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---------------------------------|-----------------------------------|-----------------------------------|
| Employee compensation           | 7,188,530                         | 7,230,653                         |
| Payroll related taxes           | 711,745                           | 687,172                           |
| <b>Total personnel expenses</b> | <b>7,900,275</b>                  | <b>7,917,825</b>                  |

## 9. General administrative expenses

|  | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--|-----------------------------------|-----------------------------------|
| Depreciation and amortization                        | 1,114,749                         | 1,162,971                         |
| Depreciation and amortization of right-of-use assets | 559,752                           | -                                 |
| Communications and information services              | 336,983                           | 390,911                           |
| Software support services                            | 284,551                           | 224,489                           |
| Post and information services for clients            | 270,471                           | 255,941                           |
| Outreach services*                                   | 268,001                           | 277,318                           |
| Repairs and maintenance                              | 220,116                           | 150,772                           |
| Taxes other than income tax                          | 119,028                           | 73,797                            |
| Utilities  | 113,436                           | 122,979                           |
| Travel expenses                                      | 105,009                           | 89,556                            |
| Transportation                                       | 96,985                            | 95,177                            |
| Insurance  | 89,867                            | 71,609                            |
| Professional services                                | 61,592                            | 102,023                           |
| Security   | 59,984                            | 65,243                            |
| Lease expenses                                       | 49,535                            | 782,813                           |
| Stationery   | 38,799                            | 43,206                            |
| Bank services  | 30,410                            | 32,143                            |
| Costs related to property, equipment                 | 28,573                            | 34,679                            |
| Membership fees                                      | 18,909                            | 17,942                            |
| Fuel   | 6,790                             | 5,446                             |
| Hospitality  | 1,649                             | 2,199                             |
| Other  | 124,333                           | 306,848                           |
| <b>Total general administrative expenses</b>         | <b>3,999,522</b>                  | <b>4,308,062</b>                  |

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

Outreach services include expenses for the production and placement of information materials in the media and other communication channels. In the financial statements of the Fund for the year ended 31 December 2018, expenses for the same services were reflected in the "Advertising and marketing" of the "General administrative expenses".

### 10. Income tax expense

The Fund calculates income tax for the current period on the basis of the tax accounting data that is carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan in which the Fund operates, and these requirements may differ from IFRS.

Due to the fact that some types of the expenses are not taken into account for the tax purposes, and due to the availability of non-taxable income, the Fund has certain permanent tax differences.

The deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for the tax purposes. The temporary differences as at 31 December 2019 and 2018 are mainly related to different methods of income and expense recognition, as well as temporary differences arising from differences in the carrying value and tax value of certain assets.

|   | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---|-----------------------------------|-----------------------------------|
| Current tax expense   | (7,571,115)                       | (6,697,184)                       |
| Deferred taxation movement due to origination and reversal of temporary differences | (28,093)                          | (1,935,207)                       |
| <b>Total income tax expense</b>   | <b>(7,599,208)</b>                | <b>(8,632,391)</b>                |

In 2019 and 2018, the applicable tax rate for current and deferred tax is 20%.

#### Reconciliation of effective tax rate:

|   | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|---|-----------------------------------|-----------------------------------|
| <b>Profit before income tax</b>             | <b>48,969,504</b>                 | <b>49,923,907</b>                 |
| Income tax at the applicable tax rate (20%) | (9,793,901)                       | (9,984,781)                       |
| Tax effect of non-taxable income            | 2,194,693                         | 1,352,390                         |
| <b>Income tax expense</b>                   | <b>(7,599,208)</b>                | <b>(8,632,391)</b>                |

Net deferred tax assets as at 31 December 2019 and 2018 are presented as follows:

|   | 31 December<br>2019 | 31 December<br>2018 |
|---|---------------------|---------------------|
| Lease liability                                     | 152,890             | -                   |
| Commission payable to NBRK for fiduciary management | 120,474             | 114,218             |
| Other liabilities                                   | 235,971             | 280,922             |
| Investment property                                 | (140,962)           | (90,844)            |
| Property, equipment and intangible asset            | 28,618              | (15,365)            |
| Right-of-use assets                                 | (136,522)           | -                   |
| Accrued costs                                       | (1,234)             | (1,603)             |
| <b>Net deferred tax assets</b>                      | <b>259,235</b>      | <b>287,328</b>      |

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

| Deferred tax assets   | 2019           | 2018             |
|---|----------------|------------------|
| <b>As at January 1</b>  | <b>287,328</b> | <b>2,222,535</b> |
| Change in deferred income tax balances recognized in profit or loss             | (40,249)       | (1,940,716)      |
| Change in deferred income tax balances recognized in other comprehensive income | 12,156         | 5,509            |
| <b>As at 31 January</b>   | <b>259,235</b> | <b>287,328</b>   |

### 11. Cash and deposits with the National Bank of the Republic of Kazakhstan

|   | 31 December<br>2019 | 31 December<br>2018 |
|---|---------------------|---------------------|
| Current accounts with banks   | 315,517             | 1,116,315           |
| Term deposits with the NBRK   | 17,867,244          | 6,456,569           |
|   | <b>18,182,761</b>   | <b>7,572,884</b>    |
| Less: allowance for expected credit losses (Note 20)                                | (23)                | (32)                |
| <b>Total cash and deposits with the National Bank of the Republic of Kazakhstan</b> | <b>18,182,738</b>   | <b>7,572,852</b>    |

As at 31 December 2019, cash and deposits with the NBRK included accrued interest income in the amount of KZT 18,243 thousand (31 December 2018: KZT 7,569 thousand).

Cash and cash equivalents for the purpose of the statement of cash flows comprise the following:

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| <b>Current accounts with banks:</b>        |                     |                     |
| JSC Halyk Bank                             | 314,666             | 1,115,509           |
| Other banks                                | 851                 | 806                 |
|  | <b>315,517</b>      | <b>1,116,315</b>    |
| Less: allowance for expected credit losses | (3)                 | (29)                |
| <b>Total current accounts with banks</b>   | <b>315,514</b>      | <b>1,116,286</b>    |

### 12. Financial assets at amortized cost

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| Debt securities                                      | 147,126,744         | 114,618,249         |
| Less: allowance for expected credit losses (Note 20) | (4,358,429)         | (4,944,294)         |
| <b>Total financial assets at amortized cost</b>      | <b>142,768,315</b>  | <b>109,673,955</b>  |

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| <b>Debt securities</b>   |                     |                     |
| <b>Government bonds</b>  |                     |                     |
| Bonds of the Ministry of Finance of the Republic of Kazakhstan           | 88,135,403          | 34,975,977          |
| Notes of NBRK  | 9,899,219           | 29,964,093          |
| <b>Total government bonds</b>  | <b>98,034,622</b>   | <b>64,940,070</b>   |
| <b>Corporate bonds</b>   |                     |                     |
| Eurasian Development Bank  | 28,616,152          | 28,616,152          |
| JSC Development Bank of Kazakhstan                                       | 6,047,250           | 6,047,250           |
| JSC KazTransGaz Aimag  | 5,089,020           | 5,088,243           |
| JSC National Managing Holding Baiterek                                   | 5,003,958           | 5,003,958           |
| LLP Buzgul Aurum   | 4,335,742           | 4,922,576           |
| <b>Total corporate bonds</b>   | <b>49,092,122</b>   | <b>49,678,179</b>   |
| <b>Total debt securities before allowance for expected credit losses</b> | <b>147,126,744</b>  | <b>114,618,249</b>  |
| Less: allowance for expected credit losses (Note 20)                     | (4,358,429)         | (4,944,294)         |
| <b>Total debt securities</b>   | <b>142,768,315</b>  | <b>109,673,955</b>  |

As at 31 December 2019 and 2018, financial assets at amortised cost included accrued interest income in the amount of KZT 4,527,988 thousand and KZT 1,752,006 thousand, respectively.

## 13. Commission receivable

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| Commission from investment income on Pension Plan assets | 3,708,225           | 5,364,384           |
| Commission on Pension Plan assets                        | 1,519,717           | 1,365,023           |
| <b>Total commission receivable</b>                       | <b>5,227,942</b>    | <b>6,729,407</b>    |

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(In thousands of Kazakhstani Tenge)

## 14. Property, equipment and intangible assets

|  | Property and Equipment |                  |                    |                  | Intangible Assets |                    |                    | Total              |
|--|------------------------|------------------|--------------------|------------------|-------------------|--------------------|--------------------|--------------------|
|  | Land                   | Building         | Computer equipment | Office equipment | Vehicles          | Licenses           | Software           |                    |
| <b>At revaluation/cost</b>                 |                        |                  |                    |                  |                   |                    |                    |                    |
| Balance at 1 January 2019                  | 186                    | 1,064,147        | 2,269,779          | 687,424          | 136,669           | 1,407,762          | 1,253,020          | 6,818,987          |
| Additions                                  | -                      | -                | 255,210            | 116,790          | 330,200           | 423,811            | 5,875              | 1,131,886          |
| Transfer from Investment Property          | 25,245                 | 982,013          | -                  | -                | -                 | -                  | -                  | 1,007,258          |
| Capitalisation                             | (215)                  | 36,016           | -                  | -                | -                 | -                  | -                  | 36,016             |
| Disposals                                  | 40,628                 | 7,891            | (99,449)           | (13,778)         | (12,225)          | (21,253)           | (1,218)            | (148,138)          |
| Revaluation                                | -                      | (39,480)         | -                  | -                | 12,263            | -                  | -                  | 60,782             |
| Write-off at revaluation                   | -                      | (213,225)        | (45)               | (147)            | (27,704)          | -                  | -                  | (67,184)           |
| Impairment losses                          | -                      | (18,062)         | 14,218             | (1,645)          | (3,913)           | -                  | -                  | (217,330)          |
| Transfers                                  | 18,062                 | -                | -                  | -                | 1,645             | (14,218)           | -                  | -                  |
| <b>Balance at 31 December 2019</b>         | <b>83,906</b>          | <b>1,819,300</b> | <b>2,439,713</b>   | <b>788,644</b>   | <b>436,935</b>    | <b>1,796,102</b>   | <b>1,257,677</b>   | <b>8,622,277</b>   |
| <b>Depreciation and amortisation</b>       |                        |                  |                    |                  |                   |                    |                    |                    |
| Balance at 1 January 2019                  | -                      | (12,754)         | (1,380,591)        | (291,647)        | (7,847)           | (818,271)          | (986,025)          | (3,497,135)        |
| Depreciation and amortisation for the year | -                      | (46,706)         | (378,723)          | (137,299)        | (51,937)          | (324,758)          | (175,326)          | (1,114,749)        |
| Disposals                                  | -                      | -                | 99,362             | 13,590           | 5,710             | 21,253             | 1,218              | 141,133            |
| Write-off at revaluation                   | -                      | 39,480           | -                  | -                | 27,704            | -                  | -                  | 67,184             |
| <b>Balance at 31 December 2019</b>         | <b>-</b>               | <b>(19,980)</b>  | <b>(1,659,952)</b> | <b>(415,356)</b> | <b>(26,370)</b>   | <b>(1,121,776)</b> | <b>(1,160,133)</b> | <b>(4,403,567)</b> |
| <b>Carrying amount</b>                     |                        |                  |                    |                  |                   |                    |                    |                    |
| <b>At 31 December 2019</b>                 | <b>83,906</b>          | <b>1,799,320</b> | <b>779,761</b>     | <b>373,288</b>   | <b>410,565</b>    | <b>674,326</b>     | <b>97,544</b>      | <b>4,218,710</b>   |



# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

|  | Property and Equipment |                  |                    |                  | Intangible Assets |                  |                  | Total              |
|--|------------------------|------------------|--------------------|------------------|-------------------|------------------|------------------|--------------------|
|  | Land                   | Building         | Computer equipment | Office equipment | Vehicles          | Licenses         | Software         |                    |
| <b>At revaluation/cost</b>                 |                        |                  |                    |                  |                   |                  |                  |                    |
| Balance at 1 January 2018                  | 186                    | 101,475          | 2,103,240          | 674,691          | 100,528           | 970,787          | 1,137,742        | 5,088,649          |
| Additions                                  | -                      | -                | 263,549            | 42,661           | 65,000            | 436,975          | 115,278          | 923,463            |
| Transfer from Investment Property          | -                      | 980,049          | -                  | -                | -                 | -                | -                | 980,049            |
| Disposals                                  | -                      | -                | (97,006)           | (44,957)         | (5,400)           | -                | -                | (147,363)          |
| Revaluation                                | -                      | -                | -                  | -                | 27,544            | -                | -                | 27,544             |
| Write-off at revaluation                   | -                      | (9,090)          | -                  | -                | (35,974)          | -                | -                | (45,064)           |
| Impairment losses                          | -                      | (8,287)          | (4)                | -                | -                 | -                | -                | (8,291)            |
| Transfers                                  | -                      | -                | -                  | 15,029           | (15,029)          | -                | -                | -                  |
| <b>Balance at 31 December 2018</b>         | <b>186</b>             | <b>1,064,147</b> | <b>2,269,779</b>   | <b>687,424</b>   | <b>136,669</b>    | <b>1,407,762</b> | <b>1,253,020</b> | <b>6,818,987</b>   |
| <b>Depreciation and amortisation</b>       |                        |                  |                    |                  |                   |                  |                  |                    |
| Balance at 1 January 2018                  | -                      | (7,822)          | (1,120,286)        | (215,138)        | (27,275)          | (371,779)        | (784,191)        | (2,526,491)        |
| Depreciation and amortisation for the year | -                      | (14,022)         | (357,293)          | (121,384)        | (21,946)          | (446,492)        | (201,834)        | (1,162,971)        |
| Disposals                                  | -                      | -                | 96,988             | 44,875           | 5,400             | -                | -                | 147,263            |
| Write-off at revaluation                   | -                      | 9,090            | -                  | -                | 35,974            | -                | -                | 45,064             |
| <b>Balance at 31 December 2018</b>         | <b>-</b>               | <b>(12,754)</b>  | <b>(1,380,591)</b> | <b>(291,647)</b> | <b>(7,847)</b>    | <b>(818,271)</b> | <b>(986,025)</b> | <b>(3,497,135)</b> |
| <b>Carrying amount</b>                     |                        |                  |                    |                  |                   |                  |                  |                    |
| At 31 December 2018                        | 186                    | 1,051,393        | 889,188            | 395,777          | 128,822           | 589,491          | 266,995          | 3,321,852          |

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

## 15. Investment Property

|                                    | 31 December<br>2019 | 31 December<br>2018 |
|------------------------------------|---------------------|---------------------|
| Beginning balance                  | 7,647,811           | 19,080              |
| Additions                          | -                   | 8,490,323           |
| Disposals                          | (31,838)            | -                   |
| Transfer to Property and equipment | (1,007,258)         | (875,049)           |
| Net (loss)/gain on revaluation     | (459,914)           | 13,457              |
| <b>Ending balance</b>              | <b>6,148,801</b>    | <b>7,647,811</b>    |

In 2019, due to changes in Management's plan for the property, the Fund transferred the property for KZT 1,007,258 thousand to Property, equipment and intangible assets category .

In 2018, due to changes in Management's plan for the property, the Fund transferred the property for KZT 875,049 thousand plus VAT for KZT 105,000 thousand into Property, equipment and intangible assets category.

Included into other operating income is investment property rental income for the years ended 31 December 2019 and 2018 in the amount of KZT 379,618 thousand and KZT 240,293 thousand, respectively.

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2019 and 2018 were KZT 192,010 thousand and KZT 99,078 thousand, respectively. Operating expenses arising from the investment property that did not generate rental income during the year ended 31 December 2019 and 2018 were KZT 32,420 thousand and KZT 9,745 thousand, respectively.

As at 31 December 2019 and 2018, the fair value of investment property was included in the Level 3 in the amount of KZT 6,148,801 thousand and KZT 7,647,811 thousand, respectively.

The fair value was determined by independent appraisers. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during 2019.

## 16. Other assets

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| Accrued interest receivables                         | 237,500             | -                   |
| Other accounts receivable                            | 51,016              | 71,197              |
| Rent receivable                                      | 40,386              | 17,861              |
| Other financial assets                               | 20,206              | 11,200              |
|  | <b>349,108</b>      | <b>100,258</b>      |
| Less: allowance for expected credit losses (Note 20) | (38,129)            | (15,690)            |
| <b>Total other financial assets</b>                  | <b>310,979</b>      | <b>84,568</b>       |
| Taxes other than income tax                          | 365,601             | 403,833             |
| Construction in progress                             | 184,690             | 187,050             |
| Inventory  | 69,255              | 89,585              |
| Advances paid  | 25,127              | 17,587              |
| Other non-financial assets                           | 111,545             | 93,652              |
| <b>Total other non-financial assets</b>              | <b>756,218</b>      | <b>791,707</b>      |
| <b>Total other assets</b>                            | <b>1,067,197</b>    | <b>876,275</b>      |

# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

## 17. Commission payable to NBRK for fiduciary management of the Plan

|   | 31 December<br>2019 | 31 December<br>2018 |
|---|---------------------|---------------------|
| Commission payable to NBRK for fiduciary management of the Plan | 602,372             | 571,088             |

As at 31 December 2019, the commission payable was recognised for the services received in December 2019 (Note 6), which was partially paid to the NBRK on 21 and 27 January 2020.

The commission payable as at 31 December 2018 was recognised for the services received in December 2019 (Note 6), and it was paid to the NBRK on 16 January 2019.

## 18. Other liabilities

|  | 31 December<br>2019 | 31 December<br>2018 |
|--|---------------------|---------------------|
| Accounts payable                             | 126,550             | 28,744              |
| Vacation reserve                             | 120,955             | 122,057             |
| Other financial liabilities                  | 883                 | 13,440              |
| <b>Total other financial liabilities</b>     | <b>248,388</b>      | <b>164,241</b>      |
| Bonus reserve                                | 653,230             | 869,164             |
| Taxes payable other than income tax          | 255,303             | 182,590             |
| Custody services                             | 232,845             | 187,604             |
| Communications and information services      | 9,399               | 83,235              |
| Consulting services                          | -                   | 52,405              |
| Other non-financial liabilities              | 211,884             | 122,574             |
| <b>Total other non-financial liabilities</b> | <b>1,362,661</b>    | <b>1,497,572</b>    |
| <b>Total other liabilities</b>               | <b>1,611,049</b>    | <b>1,661,813</b>    |

## 19. Share capital

### Issued capital

As at 31 December 2019 and 2018, the issued and outstanding share capital comprised of 9,489,248 ordinary shares in the amount of KZT 7,114,244 thousand.

### Statutory reserve

According to the Law of the Republic of Kazakhstan "On Joint Stock Companies" effective before amendments dated 8 July 2005, the Fund was required to maintain a reserve established from the net income of the Fund. Currently there is no requirement to continue to transfer from retained earnings to this statutory reserve.

### Revaluation reserve for available-for-sale financial assets

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

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

### 20. Allowances for expected credit losses

The movements in accumulated allowances of financial assets at amortised cost, financial assets available for sale, cash and deposits with NBRK, bank deposits, the allowances for impairment losses of interest bearing and other assets were as follows:

|  | Financial assets at<br>amortised cost<br>(Note 12) |                    | Financial assets<br>available for sale |                    | Other<br>assets<br>(Note 16) | Cash and<br>deposits<br>with NBRK<br>(Note 11) | Banks<br>deposits   | Total               |
|--|--|--------------------|--|--------------------|------------------------------|--|---------------------|---------------------|
|  | Stage 1  | Stage 2            | Stage 1                                | Stage 2            | Stage 1                      | Stage 1  | Stage 1             |                     |
| <b>31 December 2017</b>  | -  | -                  | -                                      | (5,233,833)        | (4,717)                      | -  | (15,569,754)        | (20,808,304)        |
| Impact of Adopting IFRS 9                                      | (15,197)   | -                  | -                                      | -                  | -                            | (87)   | -                   | (15,284)            |
| <b>Restated opening<br/>balance under<br/>IFRS 9</b>           | <b>(15,197)</b>                                    | <b>-</b>           | <b>-</b>                               | <b>(5,233,833)</b> | <b>(4,717)</b>               | <b>(87)</b>                                    | <b>(15,569,754)</b> | <b>(20,823,588)</b> |
| Transfer to Stage 1  | -  | -                  | -                                      | -                  | -                            | -  | -                   | -                   |
| Transfer to Stage 2  | -  | (5,233,833)        | -                                      | 5,233,833          | -                            | -  | -                   | -                   |
| (Provision)/<br>recovery of provision                          | (6,520)  | 311,256            | -                                      | -                  | (10,973)                     | 55   | 110,668             | 404,486             |
| <b>31 December 2018</b>  | <b>(21,717)</b>                                    | <b>(4,922,577)</b> | <b>-</b>                               | <b>-</b>           | <b>(15,690)</b>              | <b>(32)</b>                                    | <b>(15,459,086)</b> | <b>(20,419,102)</b> |
| Transfer to Stage 1  | -  | -                  | -                                      | -                  | -                            | -  | -                   | -                   |
| Transfer to Stage 2  | -  | -                  | -                                      | -                  | -                            | -  | -                   | -                   |
| Transfer to Stage 3  | -  | -                  | -                                      | -                  | -                            | -  | -                   | -                   |
| (Additional provisions<br>recognized)/recovery of<br>provision | (970)  | 586,835            | -                                      | -                  | (22,459)                     | 9  | 127,094             | 690,509             |
| Write-offs   | -  | -                  | -                                      | -                  | 20                           | -  | -                   | 20                  |
| <b>31 December 2019</b>  | <b>(22,687)</b>                                    | <b>(4,335,742)</b> | <b>-</b>                               | <b>-</b>           | <b>(38,129)</b>              | <b>(23)</b>                                    | <b>(15,331,992)</b> | <b>(19,728,573)</b> |

### 21. Risk management

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

#### Risk management policies and procedures

The Fund's risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. In accordance with the Trust Management Agreement for own assets of the Joint Stock Company "Unified Accumulative Pension Fund" dated 28 March 2018, its own assets were transferred to trust management of the NBRK (Trustee). In accordance with paragraph 2.1. The Trustee independently makes investment decisions in accordance with the investment strategy of the Fund and within the limits of the approved investment limits that are an integral part of the Trust Management Agreement. The risk management system uses an integrated approach that establishes control systems aimed at the timely detection, assessment and prevention of events that may cause a violation of the normal operation of the Fund. The Fund carries out post-monitoring of its own assets in management reporting, in which methods for assessing investment risks using various instruments are detailed and widely used. Review of reporting on the condition and exposure of the portfolios of own assets to financial risks is carried out on a monthly basis.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

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The Board of Directors of the Fund approves the internal policies and procedures of the Plan and has overall responsibility for the proper functioning of the risk management and internal control system. The Board approves internal regulatory documents on the minimization of non-financial risks, which use tools for self-assessment of operational risks, methods for monitoring key risk indicators (KRI), which are leading indicators and reflect potential sources of operational risks, internal management practices that are the division of authority, the determination of the responsibility of subjects of internal control with subsequent monitoring of operations at each stage of the process and with hierarchy/consistency mandatory procedures for coordination by responsible persons/managers and in the continuous monitoring of the internal control system in the Fund. The Fund appoints responsible persons within each division, whose duties include developing and regularly updating the matrix of business processes, assessing the 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.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, 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 Fund periodically performs post-monitoring of market risks of financial instruments transferred to trust management.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

### **Interest rate sensitivity analysis**

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities.

### **Currency risk**

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at 31 December 2019, the Fund had no any financial assets and liabilities denominated in foreign currencies, except for a liability with one counterparty in the amount of KZT 39,139 thousand.

As at 31 December 2018, the Fund had no financial assets or liabilities denominated in foreign currencies, except for current account in JSC Halyk Bank for KZT 6,046 thousand.

The following table presents an analysis of the Fund's sensitivity to a 10% increase and decrease in the Kazakhstani Tenge exchange rate against the US dollar and other currencies as at 31 December 2019, as well as a sensitivity analysis of the Fund to a 10% rise and fall of the tenge to the US dollar and other currencies as at 31 December 2018, respectively. The sensitivity level is used within the Fund in preparing currency risk reports for key management personnel of the Fund and is an estimate of the Guidance for the Fund for Possible Exchange Rate Changes.

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

An analysis of sensitivity of profit or loss for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2019 and 2018 and a simplified scenario of a 10% and -10%, accordingly, change in USD to Kazakhstan Tenge exchange rates is as follows:

|                                     | <b>31 December<br/>2019</b> |
|-------------------------------------|-----------------------------|
| 10% appreciation of USD against KZT | (3,914)                     |
| 10% depreciation of USD against KZT | 3,914                       |

|                                     | <b>31 December<br/>2018</b> |
|-------------------------------------|-----------------------------|
| 10% appreciation of USD against KZT | 605                         |
| 10% depreciation of USD against KZT | (605)                       |

### Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limits on portfolio concentration for one counterparty or a group of counterparties.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its counterparties. The review is based on the counterparty's most recent financial statements and other information otherwise obtained by the Fund.

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

|  | <b>31 December<br/>2019</b> | <b>31 December<br/>2018</b> |
|--|-----------------------------|-----------------------------|
| <b>ASSETS</b>  |                             |                             |
| Cash and deposits with the National Bank of the Republic of Kazakhstan | 18,182,738                  | 7,572,852                   |
| Financial assets at amortized cost                                     | 142,768,315                 | 109,673,955                 |
| Commission receivable  | 5,227,942                   | 6,729,407                   |
| Other financial assets   | 310,979                     | 84,568                      |

As at 31 December 2019, the Fund has three counterparties (Ministry of Finance of the Republic of Kazakhstan, NBRK and Development Bank of Kazakhstan), credit risk exposure to which exceeds 10% of maximum credit risk exposure (2018: three counterparties). The credit risk exposure for these counterparties as at 31 December 2019 is KZT 144,504,177 thousand (2018: KZT 93,546,582 thousand).



# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

The following table details credit ratings of financial assets held by the Fund that are neither past due nor impaired:

|                                    | ≥BBB       | <BBB        | Credit Rating<br>undefined | Total       |
|------------------------------------|------------|-------------|----------------------------|-------------|
| <b>31 December 2019</b>            |            |             |                            |             |
| Cash and deposits with the NBRK    | -          | 18,182,738  | -                          | 18,182,738  |
| Financial assets at amortized cost | 28,608,671 | 114,159,644 | -                          | 142,768,315 |
| Commission receivable              | -          | 5,227,942   | -                          | 5,227,942   |
| Other financial assets             | -          | 240,686     | 70,293                     | 310,979     |
| <b>31 December 2018</b>            |            |             |                            |             |
| Cash and deposits with the NBRK    | 1,115,480  | 6,457,372   | -                          | 7,572,852   |
| Financial assets at amortized cost | 33,610,062 | 76,063,893  | -                          | 109,673,955 |
| Commission receivable              | -          | 6,729,407   | -                          | 6,729,407   |
| Other financial assets             | -          | -           | 84,568                     | 84,568      |

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

## Joint Stock Company Unified Accumulative Pension Fund

### Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

The liquidity management is performed by the Fund and involves:

- analysis of liquidity of assets and liabilities of the Fund by types of securities, financial instruments and currencies;
- oversight of cash inflows and outflows of the Fund;
- assessment and control of liquidity risk of the Fund to ensure that sufficient liquidity is maintained within the Fund as a whole.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2019:

|   | Demand and<br>less than<br>1 month | From 1 to<br>3 months | From 3 to<br>12 months | From 1 to<br>5 years | More than<br>5 years | Total              |
|---|------------------------------------|-----------------------|------------------------|----------------------|----------------------|--------------------|
| <b>Non-derivative financial assets</b>                          |                                    |                       |                        |                      |                      |                    |
| Cash and deposits with the NBRK                                 | 18,182,738                         | -                     | -                      | -                    | -                    | 18,182,738         |
| Financial assets at amortized cost                              | 5,702,718                          | 5,853,966             | 4,057,327              | 56,696,558           | 70,457,746           | 142,768,315        |
| Commission receivable   | 5,227,942                          | -                     | -                      | -                    | -                    | 5,227,942          |
| Other financial assets  | 260,217                            | 3,493                 | 17,553                 | 29,716               | -                    | 310,979            |
| <b>Total financial assets</b>                                   | <b>29,373,615</b>                  | <b>5,857,459</b>      | <b>4,074,880</b>       | <b>56,726,274</b>    | <b>70,457,746</b>    | <b>166,489,974</b> |
| <b>Non-derivative financial liabilities</b>                     |                                    |                       |                        |                      |                      |                    |
| Commission payable to NBRK for fiduciary management of the Plan | 543,201                            | -                     | 59,171                 | -                    | -                    | 602,372            |
| Lease liabilities   | 38,334                             | 48,658                | 469,713                | 207,744              | -                    | 764,449            |
| Other financial liabilities                                     | 108,386                            | 57,640                | 82,362                 | -                    | -                    | 248,388            |
| <b>Total financial liabilities</b>                              | <b>689,921</b>                     | <b>106,298</b>        | <b>611,246</b>         | <b>207,744</b>       | <b>-</b>             | <b>1,615,209</b>   |
| <b>Net position</b>   | <b>28,683,694</b>                  | <b>5,751,161</b>      | <b>3,463,634</b>       | <b>56,518,530</b>    | <b>70,457,746</b>    | <b>164,874,765</b> |

## Joint Stock Company Unified Accumulative Pension Fund

### Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2018:

|   | Demand and less than 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | More than 5 years | Total              |
|---|------------------------------|--------------------|---------------------|-------------------|-------------------|--------------------|
| <b>Non-derivative financial assets</b>                          |                              |                    |                     |                   |                   |                    |
| Cash and deposits with the NBRK                                 | 7,572,852                    | -                  | -                   | -                 | -                 | 7,572,852          |
| Financial assets at amortized cost                              | 30,090,977                   | 197,817            | 1,583,572           | 45,587,589        | 32,214,000        | 109,673,955        |
| Commission receivable   | 6,729,407                    | -                  | -                   | -                 | -                 | 6,729,407          |
| Other financial assets  | 2,562                        | 18,394             | 14,555              | 49,057            | -                 | 84,568             |
| <b>Total financial assets</b>                                   | <b>44,395,798</b>            | <b>216,211</b>     | <b>1,598,127</b>    | <b>45,636,646</b> | <b>32,214,000</b> | <b>124,060,782</b> |
| <b>Non-derivative financial liabilities</b>                     |                              |                    |                     |                   |                   |                    |
| Commission payable to NBRK for fiduciary management of the Plan | 457,688                      | -                  | 113,400             | -                 | -                 | 571,088            |
| Other financial liabilities                                     | 164,241                      | -                  | -                   | -                 | -                 | 164,241            |
| <b>Total financial liabilities</b>                              | <b>621,929</b>               | <b>-</b>           | <b>113,400</b>      | <b>-</b>          | <b>-</b>          | <b>735,329</b>     |
| <b>Net position</b>   | <b>43,773,869</b>            | <b>216,211</b>     | <b>1,484,727</b>    | <b>45,636,646</b> | <b>32,214,000</b> | <b>123,325,453</b> |

As at 31 December 2019 and 2018, the financial liabilities are short-term in nature and, thus, do not differ from the undiscounted amounts payable.

# Joint Stock Company Unified Accumulative Pension Fund

**Notes to the Financial Statements**  
**For the year ended 31 December 2019 (Continued)**  
*(in thousands of Kazakhstani Tenge)*

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## 22. Capital management

The Fund does not have any externally imposed capital requirements.

## 23. Contingencies

### 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 Fund 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 relating to operations. Until the Fund obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position of the Fund.

### Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The last tax inspection was performed by tax authorities for the period from 2009 to 2013 years, and was completed in 2016.

### Operating environment

Emerging markets such as Republic of 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 Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Republic 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 Republic of 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.

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

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

### 24. Related party transactions

As at 31 December 2019 and 2018, the ultimate controlling party of the Fund was the Government of the Republic of Kazakhstan, which owned 100% of shares of the Fund (Note 1).

#### Transactions with the members of the Management Board and Board of Directors

Total remuneration included in personnel expenses for the years ended 31 December 2019 and 2018 is as follows:

|                                | Year ended<br>31 December<br>2019 | Year ended<br>31 December<br>2018 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Employee benefits              | 243,080                           | 173,557                           |
| <b>Total employee benefits</b> | <b>243,080</b>                    | <b>173,557</b>                    |

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

#### Transactions with other related parties

The outstanding balances as at 31 December 2019 and related profit or loss amounts of transactions for the year then ended with related parties are as follows:

|   | NBRK        | Ministry of<br>Finance of<br>the Republic<br>of<br>Kazakhstan | Plan       | Other      | Total       | Total per<br>financial<br>statements<br>caption |
|---|-------------|---|------------|------------|-------------|---|
| <b>Statement of financial position</b>                            |             |   |            |            |             |   |
| <b>Assets</b>   |             |   |            |            |             |   |
| Cash and deposits with NBRK                                       | 17,868,075  | -   | -          | -          | 17,868,075  | 18,182,738                                      |
| Financial assets at amortised cost                                | 9,899,115   | 88,128,316  | -          | 44,740,884 | 142,768,315 | 142,768,315                                     |
| Commission receivable   | -           | -   | 5,227,942  | -          | 5,227,942   | 5,227,942                                       |
| Current tax assets  | -           | -   | -          | 12,796     | 12,796      | 12,796  |
| Rights-of-use assets  | -           | -   | -          | 34,665     | 34,665      | 682,610   |
| Other assets  | -           | -   | -          | 607,975    | 607,975     | 1,067,197                                       |
| <b>Liabilities</b>  |             |   |            |            |             |   |
| Commission payable to NBRK for fiduciary management of the Plan   | 602,372     | -   | -          | -          | 602,372     | 602,372   |
| Lease liabilities   | -           | -   | -          | 35,040     | 35,040      | 764,449   |
| Other liabilities   | 244,238     | -   | -          | 188,730    | 432,968     | 1,611,049                                       |
| <b>Statement of profit or loss and other comprehensive income</b> |             |   |            |            |             |   |
| Commission income   | -           | -   | 58,010,578 | -          | 58,010,578  | 58,010,578                                      |
| Commission expense  | (9,063,978) | -   | -          | (158,003)  | (9,221,981) | 9,596,562                                       |
| Net interest income   | 2,612,241   | 5,174,525   | -          | 4,152,589  | 11,939,355  | 11,849,268                                      |
| Other operating expense, net                                      | -           | -   | -          | 116,693    | 116,693     | (83,883)  |
| General administrative expenses                                   | (17,219)    | (119,028)   | -          | (455,482)  | (591,729)   | (3,999,522)                                     |
| Current income tax expense  | -           | (7,571,115)   | -          | -          | (7,571,115) | (7,599,208)                                     |

# Joint Stock Company Unified Accumulative Pension Fund

## Notes to the Financial Statements For the year ended 31 December 2019 (Continued) (in thousands of Kazakhstani Tenge)

The outstanding balances and the related average interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows:

|   | Ministry of<br>Finance of<br>the Republic<br>of<br>Kazakhstan |             | Plan       | Other      | Total       | Total per<br>financial<br>statements<br>caption |
|---|---|-------------|------------|------------|-------------|---|
|   | NBRK  |             |            |            |             |   |
| <b>Statement of financial position</b>                            |   |             |            |            |             |   |
| <b>Assets</b>   |   |             |            |            |             |   |
| Cash and deposits with NBRK                                       | 6,457,372   | -           | -          | -          | 6,457,372   | 7,572,852                                       |
| Financial assets at amortised cost                                | 29,964,068  | 34,973,943  | -          | 44,735,944 | 109,673,955 | 109,673,955                                     |
| Commission receivable   | -   | -           | 6,729,407  | -          | 6,729,407   | 6,729,407                                       |
| Current tax assets  | -   | -           | -          | 302,091    | 302,091     | 302,091   |
| Other assets  | -   | -           | -          | 403,852    | 403,852     | 876,275   |
| <b>Liabilities</b>  |   |             |            |            |             |   |
| Commission payable to NBRK for fiduciary management of the Plan   | 571,088   | -           | -          | -          | 571,088     | 571,088   |
| Other liabilities   | 190,505   | -           | -          | 124,603    | 315,108     | 1,661,813                                       |
| <b>Statement of profit or loss and other comprehensive income</b> |   |             |            |            |             |   |
| Commission income   | -   | -           | 60,076,680 | -          | 60,076,680  | 60,076,680                                      |
| Commission expense  | (7,648,294)   | -           | -          | -          | (7,648,294) | (8,192,785)                                     |
| Net interest income   | 4,345,728   | 1,860,498   | -          | 1,841,964  | 8,048,190   | 8,174,306                                       |
| General administrative expenses                                   | (16,374)  | -           | -          | (616,589)  | (632,963)   | (4,308,062)                                     |
| Other operating income, net                                       | -   | -           | -          | 37,393     | 37,393      | 491,107   |
| Current income tax expense  | -   | (6,697,184) | -          | -          | (6,697,184) | (8,632,391)                                     |



# Joint Stock Company Unified Accumulative Pension Fund

Notes to the Financial Statements  
For the year ended 31 December 2019 (Continued)  
(in thousands of Kazakhstani Tenge)

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

Except as detailed in the following table, the Fund considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

|                                    | 31 December 2019 |             | 31 December 2018 |            |
|------------------------------------|------------------|-------------|------------------|------------|
|                                    | Carrying value   | Fair value  | Carrying value   | Fair value |
| Financial assets at amortised cost | 142,768,315      | 123,873,869 | 109,673,955      | 99,476,999 |

## 26. Events after the reporting period

On 24 January 2020, the full amount KZT 5,227,942 of commission receivable from Plan was paid.

On 21 and 27 January 2020, the commission payable by the NBRK for fiduciary management of the Plan in the amount of KZT 543,201 thousand was paid.