

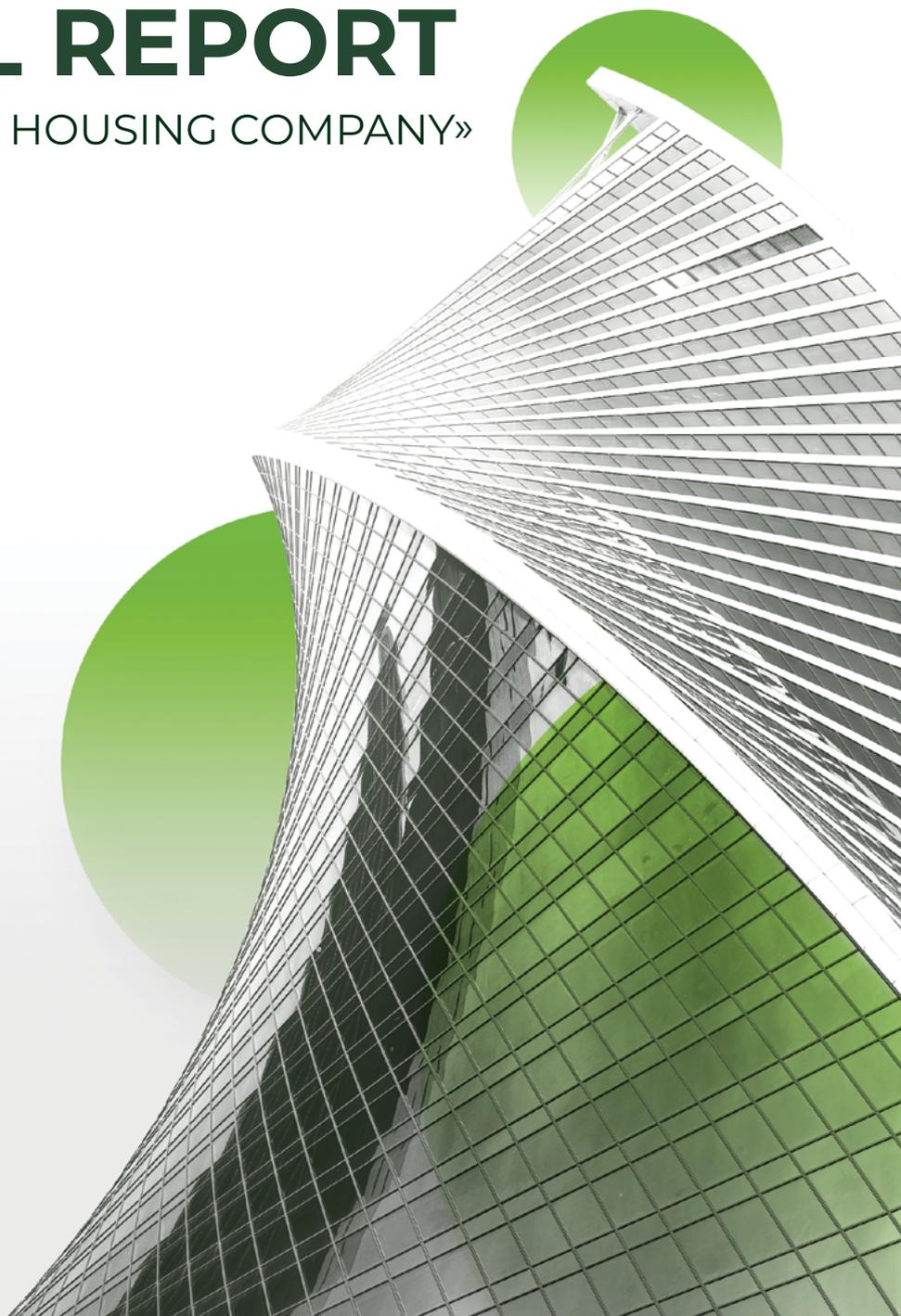
ANNUAL REPORT

JSC «KAZAKHSTAN HOUSING COMPANY»

2020



KAZAKHSTAN
HOUSING
COMPANY



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SINGLE HOUSING CONSTRUCTION OPERATOR

In 2020, Baiterek NMH JSC optimized its housing block under the instruction of the Head of the State, Kassym-Jomart Tokayev.

Mortgage Organization «Kazakhstan Mortgage Company» JSC was reorganized. Baiterek Development JSC and Housing Construction Guarantee Fund JSC were incorporated into it.

As a result of reorganization, activity was optimized, duplicate functions within the Holding were excluded, and total administrative expenses were reduced.

In the beginning of 2021, the name MO Kazakhstan Mortgage Company JSC was changed to Kazakhstan Housing Company JSC.

The created Single Housing Construction Operator will ensure the further implementation of state measures, aimed at increasing high-quality and comfortable housing provision for the population of country, including by supporting construction industry, creating conditions for a balanced growth of supply and demand in the housing and mortgage lending market.

KEY INDICATORS AT THE END OF 2020

Support for Housing Supply	Support for Housing Demand	Socially-Oriented and Anti-Crisis Programs
<p>Bonds of LEAs for KZT 281.2 billion were purchased under the Nurly Zher Program;</p> <p>30 guarantees for completion of construction for KZT 120.7 billion were issued (747 000 m², 8 847 apartments).</p>	<p>Rights of claim under mortgage loans for the amount of KZT 54.9 million were acquired.</p> <p>1 240 mortgage loans for KZT 15.8 billion under Orda Program were granted.</p> <p>491 apartments for KZT 5.8 billion were provided to the health-care and education workers under rent-to-own conditions.</p>	<p>Bonds of LEAs for KZT 677.1 billion were purchased under Employment Roadmap 2020-2021 (6 495 projects realized, 239 thousand people employed);</p> <p>25 apartments and 130 parking lots for KZT 970 million were realized within EXPO-2017.</p>

Development of Information Technology and Analytics

Functions for monitoring of objects under Employment Roadmap 2020-2021, objects under rental housing and ICI were developed at LEA portal.

Online showcase of demand for construction materials www.stroimaterial.kz under Nurly Zher Program was developed to provide the Kazakhstan manufacturers with information on the demands for construction materials and possibility to send commercial offers.

ADDRESS OF THE CHAIRMAN OF BOARD OF DIRECTORS



Timur Zhanke

*Chairman of the Board of Directors
Kazakhstan Housing Company JSC*

Dear colleagues and partners,

In 2020, MO Kazakhstan Mortgage Company JSC accomplished 20 years. During this time, the Company proved to be an effective financial operator that strategically approaches the solution of set tasks and ensures achievement of outcomes of interest. It is no coincidence that Single Housing Construction Operator, which will become the main agent in realization of the state's housing policy, was created specifically on the basis of KMC.

As part of execution of instruction of the Head of State, Kassym-Jomart Tokayev, on transformation of housing block of Baiterek NMH JSC, last year Baiterek Development JSC and Housing Construction Guarantee Fund JSC were affiliated to the Company. Thus, functions of KMC were supplemented with support of housing construction.

Affordability of housing for the citizens is a crucial factor of socioeconomic development of Kazakhstan. And the government takes a wide range of activities, aimed at support of population in solution of housing problem.

In spite of significant increase of commissioned housing, as well as increase in investments to housing construction in the recent years, the housing fund across the country showed moderate growth. First of all, it is connected with the withdrawal of the old housing fund, significant volumes of which have negative impact on the dynamics of housing impact growth.

In Kazakhstan it is still required to support and facilitate construction of housing in affordable price segments, as well as take additional measures to support the demand.

In 2020, Development Strategy 2021-2023 of Kazakhstan Housing Company JSC was accepted. As part of the new strategy, the Single Housing Construction Operator focuses on comprehensive solution of housing problem for Kazakhstanis, ensuring well-balanced development of housing market. Besides, for effective realization of state programs, KHC JSC will start to actively introduce emerging information technologies and apply analytics tools. Separate strategic line is realization of socially-oriented and anti-crisis programs.

There is a wide range of tools and mechanisms at the disposal of the Company, such as granting mortgage loans and acquisition of mortgage rights of claim, provision of rental housing with subsequent purchase, credit financing of real estate developers within state programs and subsidization of credits of private developers and mortgage loans, financing of housing construction and realization of investment projects, guaranteeing completion of housing construction.

Along with the existing areas of activity, the Company is developing new plans. Namely, KHC JSC plans to realize a pilot project of comprehensive development to create comfortable living environment for the population and projects for renovation of dilapidated housing.

We are facing tremendous tasks, and I am sure, the chosen development strategy and professional management will help us to achieve all the intended goals.



ADDRESS OF THE CHAIRMAN OF BOARD



Adil Mukhamedzhanov

*Chairman of the Management Board
Kazakhstan Housing Company JSC*

Dear clients, partners and colleagues!

We are happy to present you an Annual Report 2020 of MO Kazakhstan Mortgage Company JSC.

This year became a test of strength for many people, companies, states, and for the entire world. For Kazakhstan Mortgage Company this year was marked by a broad-scale transformation into Single Housing Construction Operator. In a new format and with a new name, Kazakhstan Housing Company will work on comprehensive solution of housing problem to the benefit of citizens of whole Kazakhstan.

A large block of work of KHC JSC is support of supply on the market of residential property. The Company finances construction of credit housing via purchase of bonds of local executive bodies. The volume of bonds purchase in 2020 amounted to KZT 101.2 billion. Besides, in 2020 the Company financed the construction of credit housing for the amount of KZT 180 billion under Shanyrak pilot social project, aimed at provision of needy citizens with housing. Within this project more than 15 thousand apartments are being built.

To protect the interests of interest holders, the Company guarantees arrangement of construction completion of residential buildings. In 2020, 15 guaranteed objects or 4 922 apartments were commissioned.

To facilitate and support demand for housing, KHC JSC acquires rights of claim under mortgage loans from commercial banks and issues mortgage securities – it allows upscaling granted mortgages in the country. In 2020, the Company acquired rights of claim for the amount of KZT 225 billion.

The Company continues granting its own mortgage loans via its partner banks under Orda Program. During the realization, 2 045 loans for the total amount of KZT 26 billion were granted, including – 1 240 contracts for the amount of KZT 15.8 billion over the past year. In spite of complicated situation at the credit market under conditions of pandemic and containment measures, the number of granted loans on this product in 2020 increased by 158% compared to 2019.

Socially significant direction of Company's work remains to be provision of rental housing under rent-to-own conditions within Nurly Zher Program. In this direction, people on the waiting lists of local executive authorities from vulnerable social groups, as well as healthcare and education workers are provided with the housing. As of the end of 2020, the volume of lease portfolio of the merged Company was KZT 159 billion - this means more than 21 thousand of tenants.

In 2020, during quarantine and emergency situation, multiple Kazakhstans faced job loss and reduction

in income. To support the citizens, Employment Roadmap 2020-2021 was launched, which helps to maintain productive employment of population. As part of this program, the Company finances regional infrastructure projects by purchasing bonds of LEAs. Within a year, bonds of LEAs for KZT 677.1 billion were purchased, 6 495 infrastructure projects, which ensured employment of almost 240 thousand people, were completed at their expense.

To increase the effectiveness of state housing policy implementation, the Company is working on development of digital technologies. Specifically, further development of Nurly Zher Situation Center and LEA portal to monitor real estate objects under construction, financed by the Company within Nurly Zher Program and Employment Roadmap, is under way.

In a new, extended format, Kazakhstan Housing Company will continue solving task on increasing affordability of housing for the citizens, which is strategic for the country.

I thank our clients, partners, Single Shareholder and Government of the country for having confidence in us, management team and company employees for high level of professionalism and results, achieved in 2020.

KEY EVENTS

JANUARY 2021

During 2020, MO Kazakhstan Mortgage Company JSC was reorganized by joining Baiterek Development JSC and Housing Construction Guarantee Fund JSC to it. In January 2021 Single Housing Construction Operator got its new name - Kazakhstan Housing Company JSC.

2020

JANUARY

The Company started realization of rental housing to the education and healthcare workers (with subsequent extension of candidates category) within the Nurly Zher state program of development 2020–2025 in the direction of “Rent-to-own for education and healthcare workers”.

The Company became a member of International Real Estate Management Association (IREMA), purpose of which is to support professionalism in management of housing in post-Soviet countries of Europe and Asia.

FEBRUARY

KMC and Japanese Housing Finance Agency agreed on joint measures to develop mortgage market of two countries. Execution of memorandum took place as a part of working trip of Kazakhstani delegation to Tokyo on February 5, 2020. Memorandum implies cooperation in the area of information exchange on financial instruments that allow managing the housing funding market, as well as establishes main areas and methods of cooperation in sharing experiences between the companies of two countries.

International rating agency Moody's confirmed the long-term and short-term ratings of issuer MO Kazakhstan Mortgage Company JSC in national and foreign currencies at “Baa3” level, as well as issuer's rating on national scale at the Aa1.kz level once again. The forecast is “Stable”.

APRIL

New section “Emergency situation” started to work on the Company’s official website due to ES, imposed in Kazakhstan. It was created specifically for the convenience of users. All questions that we received most frequently are gathered in the section.

Along with the existing methods, the Company launches making any type of payments under contracts with the help of Kaspi.kz payment system. Starting from April 8, it is possible to make monthly payments under mortgage contracts and lease agreements via mobile app and website Kaspi.kz. All payments are made commission-free for the clients.

MAY

The Company was assigned the following credit rating on international scale — BBB+, the forecast is “Negative”, on national scale — AA(RU), the forecast is “Negative” from rating agency ACRA JSC

JUNE

International rating agency Moody’s confirmed the long-term and short-term ratings of issuer MO Kazakhstan Mortgage Company JSC in national and foreign currencies at “Baa3” level, as well as issuer’s rating on national scale at the Aa1.kz level. The forecast is “Stable”.

JULY

Baiterek Development JSC was incorporated into Mortgage Organization Kazakhstan Mortgage Company JSC.

AUGUST

Mortgage Organization Kazakhstan Mortgage Company JSC attracted KZT 480.0 mln to KASE, by placing bonds KZ2C00004349.

The Company entered into agreement with the Akimat of Nur-Sultan city on extension of the category of half-way houses recipients. Now social service workers, police officers, workers of culture and sportsmen will be able to claim affordable housing within Nurly Zher Program, apart from education and healthcare workers.

OCTOBER

Fitch Ratings confirmed long-term issuer default ratings (IDR) of Kazakhstan Mortgage Company in foreign and national currencies at the level of “BBB-” with “Stable” forecast. Short-term IDR in foreign currency is confirmed at the “F3” level. Fitch also confirmed long-term rating of outstanding priority debt instruments of the Company at “BBB-” level.

Mortgage Organization Kazakhstan Mortgage Company JSC attracted KZT 100 bln to KASE, by placing twelve-years bonds KZ2C00006823.

Mortgage Organization Kazakhstan Mortgage Company JSC attracted KZT 100.0 bln to KASE, by placing twelve-years bonds KZ2C00006831.

NOVEMBER

Housing Construction Guarantee Fund JSC was incorporated into Mortgage Organization Kazakhstan Mortgage Company JSC. Functions of the Fund on provision of guarantees on completion of equity construction were also transferred to Kazakhstan Mortgage Company.

Adil Mukhamedzhanov was elected Chairman of Board of MO Kazakhstan Mortgage Company JSC for another term.

DECEMBER

Mortgage Organization Kazakhstan Mortgage Company JSC attracted KZT 100 bln to KASE, by placing twelve-years bonds KZ2C00007094.

Mortgage Organization Kazakhstan Mortgage Company JSC attracted loan from the Akimat of Nur-Sultan city for the amount of KZT 478.5 mln for the period of 17 years. Within this loan, target rental housing with purchase option as part of Nurly Zher Housing Development Program 2020-2025 will be provided.

COMPANY PROFILE

Mortgage Organization Kazakhstan Mortgage Company Joint-Stock Company was established in 2000 in accordance with the resolution of Board of the National Bank of the Republic of Kazakhstan in order to implement the Concept of long-term financing of housing construction and mortgage lending development. The Company became one of the first mortgage organizations in the post-Soviet space, which activities are aimed at implementing the state housing policy.

In 2020, MO Kazakhstan Mortgage Company JSC was reorganized by joining Baiterek Development JSC and Housing Construction Guarantee Fund JSC to it. After reorganization, the Company became a Single Housing Construction Operator and changed its name to Kazakhstan Housing Company JSC in January 2021.

Housing Construction Guarantee Fund JSC was established in 2016 on the basis of the previously operating Kazakhstan Mortgage Loan Guarantee Fund JSC. Task of the Fund was to create an effective mechanism to protect the rights and interests of interest holders by guaranteeing completion of the shared-equity construction object.

Baiterek Development JSC (Stress Assets Fund JSC – until 2014) performed the functions of financial operator of the Nurdy Zher State Housing Development Program 2020-2025 in financing the construction of credit housing through purchase of state securities of local executive authorities, as well as monitoring the progress of credit housing construction. Other areas of the Company's activity were implementation of investment projects in construction industry and completion of activities initiated as part of the anti-crisis measures of 2009-2010, and the EXPO-2017 projects.

Kazakhstan Housing Company JSC has included main areas of work of the combined companies in its activities, and is also developing a number of new areas in accordance with the adopted Development Strategy for 2021-2023.

BACKGROUND

2000	Company establishment by the National Bank of the Republic of Kazakhstan
2002	issuance of first mortgage bonds
2004	establishment of regional network
2004–2007	realization of the state program of housing construction development of the Republic of Kazakhstan
2011–2014	realization of special program of mortgage lending of affordable housing in Almaty city
2012	realization of Affordable Housing 2020 Program
2013	transfer of the Company's shares under management of Baiterek National Managing Holding JSC
2014	realization of the Program of Development of Regions by 2020
2016	realization of Nurly Zher Housing Construction Program
2018	realization of the Program of Refinancing Mortgage Loans of the National Bank of the Republic of Kazakhstan
2018	launch of Orda Mortgage Product
2020	Company reorganization. Establishment of the Single Housing Construction Operator. Joining Baiterek Development JSC and Housing Construction Guarantee Fund JSC.
2021	change of name to Kazakhstan Housing Company JSC.

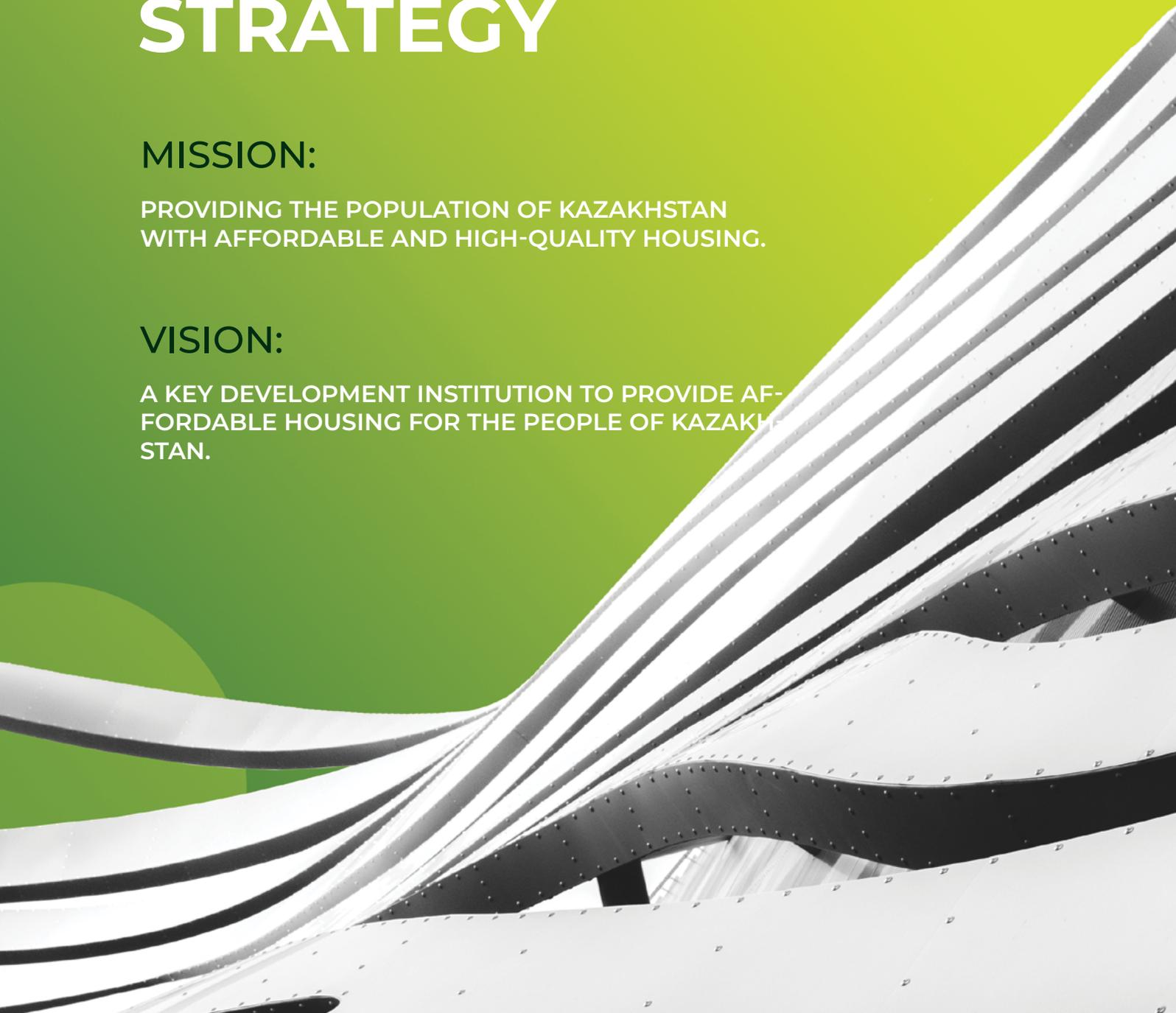
STRATEGY

MISSION:

PROVIDING THE POPULATION OF KAZAKHSTAN WITH AFFORDABLE AND HIGH-QUALITY HOUSING.

VISION:

A KEY DEVELOPMENT INSTITUTION TO PROVIDE AFFORDABLE HOUSING FOR THE PEOPLE OF KAZAKHSTAN.



STRATEGIC DIRECTIONS FOR ACTIVITIES

Direction 1. SUPPORT FOR HOUSING SUPPLY

GOAL: To increase the volume of housing construction by stimulating the private sector and become a single window for servicing developers.

Objectives:

1. financing of housing construction through repurchase of LEA bonds;
2. guarantee of equity participation in housing construction;
3. subsidization of private developers' loans¹;
4. financing of investment projects;
5. development of rental housing market without repurchase;
6. master developer of comprehensive development of residential districts;
7. renovation of dilapidated housing.

Direction 2. SUPPORT FOR HOUSING DEMAND

GOAL: To increase affordability of housing for citizens of Kazakhstan.

Objectives:

1. acquisition of mortgage claims and securitization;
2. granting mortgage loans through agent banks;
3. providing rent-to-own housing within the Nurly Zher Program.

¹ it is planned to transfer the instrument of private developers' loans subsidization to the Company from "Damu" Entrepreneurship Development Fund JSC in 2021

Direction 3. DEVELOPMENT OF INFORMATION TECHNOLOGY AND ANALYTICS

GOAL: Digitalization of the Company's products and development of analytics.

Objectives:

1. Nurly Zher Situation Center;
2. marketplace of construction materials;
3. housing portal.

Direction 4. SOCIALLY-ORIENTED AND ANTI-CRISIS PROGRAMS

GOAL: To create jobs and ensure timely return of allocated funds.

Objectives:

1. repurchase of LEA bonds as part of the Employment Roadmap 2020-2021;
2. return of fund, allocated for EXPO-2017 projects and other real estate objects;
3. return of funds from Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC.

COMPANY'S STRATEGY MAP

MISSION:

Providing population of Kazakhstan with affordable and high-quality housing

VISION:

A key development institution to provide affordable housing for the people of Kazakhstan.

CLIENTS

- Support for housing supply
 - financing of housing construction through repurchase of LEA bonds;
 - guarantee of equity participation in housing construction;
 - subsidization of private developers' loans;
 - financing of investment projects;
 - development of rental housing market without repurchase;
 - master developer of comprehensive development of residential districts;
 - renovation of dilapidated housing.

FINANCES

become a single window for servicing customers

INTERNAL BUSINESS-PROCESSES

Optimization of corporate business processes

ORGANIZATIONAL CAPABILITIES

Creating corporate culture

Becoming the best employer

Support for Housing Demand

- acquisition of mortgage claims and securitization;
- granting mortgage loans through agent banks under Orda Program;
- providing rent-to-own housing within the Nurlı Zher Program.

Development of Information Technology and Analytics

- Nurlı Zher Situation Center (investigations and analysis);
- marketplace of construction materials;
- housing portal (My Home Portal).

Socially-Oriented and Anti-Crisis Programs

- repurchase of LEA bonds as part of the Employment Roadmap 2020-2021;
- return of fund, allocated for EXPO-2017 projects;
- return of funds from Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC.

Be financially sound

Development of housing policy and becoming a master developer of comprehensive development of residential districts

Optimize operating expenses

Interaction with state authorities and LEAs in development of communities and creation of social objects to ensure balanced life of the population of Kazakhstan

Building effective relationship with the stakeholders

Creating new competences and potential

The best quality-price ratio of housing

Digital technologies, data analysis

FUNCTIONAL OBJECTIVES

FINANCIAL STABILITY

To improve the effectiveness of finance resources management and ensure financial stability, the Company will take on the task of optimization of operating expenses, improvement of liquidity and financial risks management systems, as well as increase of

investment appeal, including increase/maintenance of Company's credit rating, search of optimal funding sources, and possibility of using the available resources to implement Company's strategic directions.

RISK MANAGEMENT

The Company will adopt the best practices in the area of enterprise risk management system and preventive measures to mitigate Company risks, as well as ensure systematic and consistent approach when implementing risk management process.

Activities on information sharing, training and motivation of employees in identification and assessment of risks, inherent to the Company, will be taken.

HR POLICY AND CORPORATE DEVELOPMENT

To implement new strategic directions, the Company will build a professional team and will develop competence in the field of town planning, architecture and engineering, projects management, as well as in the field of predictive analytics and big data processing (data science, big data).

Up-to-date approaches to relations with personnel and external candidates will be adopted, friendly environment and effective corporate culture to unlock the potential of Company employees and realization of their ideas will be created as well. KHC JSC will strive to become the best employer in its industry.

As part of corporate development, organizational transformations and business process reengineering will be performed to ensure flexibility and implement strategic directions.

KEY PERFORMANCE INDICATORS UNTIL 2023

In order to assess the effectiveness of activity, the Company will regularly monitor and analyze achievement of set goals by using the following key performance indicators:

Nº	Key performance indicator	Target value for 2023
Strategic direction 1: Support for housing supply		
Goal: To increase the volume of housing construction by stimulating the private sector and become a single window for servicing developers		
1.	The Company's contribution to the construction of affordable housing in the Republic of Kazakhstan in 2023	13% ²
2.	The volume of housing commissioning at the expense of the Company's instruments (cumulatively from 2021) ³	3 084 000 m ²
Task 1. Financing housing construction through the purchase of LEA bonds		
3.	Purchase of LEA securities to finance housing construction (cumulatively from 2021)	KZT 328.6 bln
Task 2. Guaranteeing participation in joint housing construction		
4.	Amount of issued guarantee obligations by 2023 (cumulatively from 2021)	KZT 291.6 bln

2 Providing commissioning of 9 173 480 m² of housing (multi-family houses) in the Republic of Kazakhstan in 2023 (Company's forecast and calculations).

3 For instruments "repurchase of LEA securities" and "subsidization of private developers' loans", the Company does not provide timely commissioning of housing, according to the Nurdy Zher State Housing Development Program 2020-2025, the Company ensures timely purchase of LEA securities and timely subsidization of private developers' loans.

Nº	Key performance indicator	Target value for 2023
Task 3. Subsidizing loans to private developers		
5.	Volume of subsidized private developers' loans (cumulatively from 2021)	KZT 60 bln
Task 4. Rental market development without purchase option		
6.	Establishment of Real Estate Investment Trust (REIT) ⁴	at least 100 apartments or 6 000 m ²
Task 5. Master developer of complex development of residential districts		
7.	Comprehensive development of residential district (pilot project)	at least 50 000 m ²
Task 6. Renovation of Dilapidated Housing		
8.	Financing renovation of dilapidated housing	KZT 5 bln
Strategic Direction 2: Support for housing demand		
Goal: To increase affordability of housing for citizens of Kazakhstan		
Task 1. Acquisition of mortgage claims and securitization		
9.	Acquisition volume of the rights of claim (cumulatively from 2021)	KZT 18,6 bln
Task 2. Issuance of Mortgage Loans through Agent Banks under the Orda Program		
10.	Granting mortgage loans through agent banks (cumulatively from 2021)	KZT 41,4 bln

⁴ Providing introducing relevant amendments to the laws of the Republic of Kazakhstan.

№	Key performance indicator	Target value for 2023
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Task 3. Provision of Rental Housing with Purchase Option under the Nurly Zher Program

11.	Realization of apartments for rent with subsequent repurchase	KZT 19,2 bln in 2021
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Strategic direction 3: Development of Information Technology and Analytics

Goal: Digitalization of the Company's products and development of analytics

Task 1. Construction Materials Marketplace

12.	Creating marketplace of construction materials	In 2021
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Strategic direction 4: Socially-oriented and anti-crisis programs

Goal: To create jobs and ensure timely return of allocated funds

Task 1. Repurchase of LEA bonds within the framework of the Employment Roadmap 2020-2021

13.	Purchase of LEA securities to finance infrastructure projects and ensure job creation (cumulatively from 2020), thousand units	KZT 700 bln in 2020–2021
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Key performance indicators within Company's strategic directions

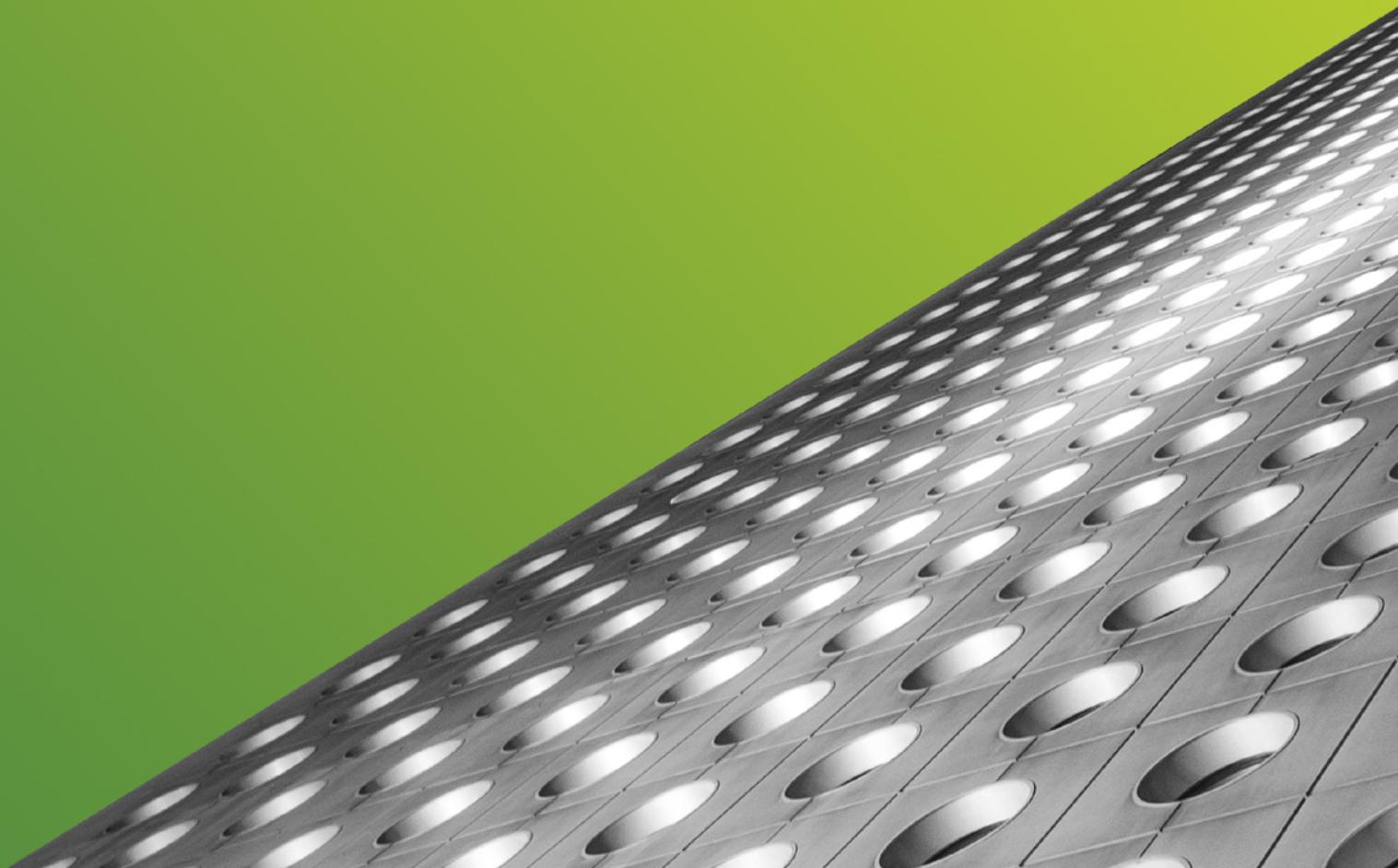
14.	ROA	2,10%
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15.	Share of credit and investment portfolio from total assets	88
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16.	Share of non-government sources of borrowing in general structure of borrowing for the reporting year	100%
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17	Customer satisfaction	Basis + 3 items.
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OVERVIEW OF EXTERNAL ENVIRONMENT

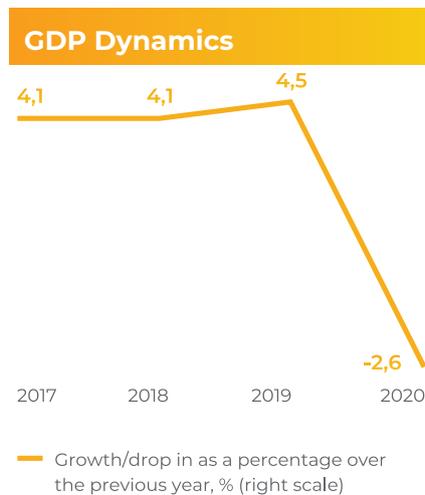


MACROECONOMIC OVERVIEW

In 2020, global economy faced a serious challenge - coronavirus infection pandemic COVID-19. Apart from titanic efforts on the part of medical workers, aimed at helping patients and people at risk, in order to protect the population countries across the globe took containment measures to prevent viral spreading and further infection of people. Quarantines with various degrees of intensity and duration resulted in dramatic business downturn, reduction of global economy, job losses, and reduction in incomes of people around the world. At the same time, based on expert estimates, people from socially vulnerable groups suffered the most. In its January forecast, IMF expects that reduction in world economy by the end of 2020 will be 3.5%.

These trends had similar negative impact on the economy of Kazakhstan. In March 2020, the state of emergency was imposed in the country and the state was taking large-scale measures to protect lives and health of population for much of the year.

GDP of Kazakhstan in 2020 reduced by 2.6% - this is the first reduction in economy since 1998. Service industry suffered the most and showed reduction by 5.6%. But the real sector rendered support to economy - the growth amounted to 2%.



Resource: Bureau of National Statistics of RoK ASP&R

Construction sector formed the ground of economic activity in the past difficult year. The growth in the sector exceeded 11% over the year. Such dynamic was mainly ensured due to realization of infrastructure projects within state programs of economy support, such as Nurly Zher State Housing Development Program.

In 2021, the World Bank and IMF predict slight global economic recovery by 4.2% and 5.2%, respectively. Kazakhstan's GDP growth in 2021, according to the forecast of the World Bank and IMF, will be 2.5% and 3%, respectively.

At the same time, it is expected that disinflationary strategy of the National Bank of the Republic of Kazakhstan (hereinafter – RoK NB) in 2021 will be aimed at retention of inflation within the target margin of 4-6% with subsequent reduction to 3-5%. Management of inflationary developments will be performed by joint efforts of the Government of the Republic of Kazakhstan and RoK NB. Measures to

ensure stability of prices in the country will facilitate creation of required conditions for the long-term stable economic growth. The main instrument of interest rate channel remains to be the basic rate, which is established depending on the actual and expected level of inflation and other parameters.

Interest rate policy of RoK NB will be aimed at maintenance of the basic rate in real terms at the level, not exceeding the long-term economic growth rates in order to ensure reasonable balance in the part of regulation of inflationary developments and availability of credit resources. Monetary policy will be performed under the conditions of free-floating exchange rate of tenge.

OVERVIEW OF HOUSING SECTOR

According to the data of Bureau of National Statistics of RoK ASP&R, the population number in Kazakhstan in the period from 2017 to 2020 increased by 5% and amounted to **18.9** mln

people. Herewith, in 2017-2020 moderate growth of share of urban population is observed.

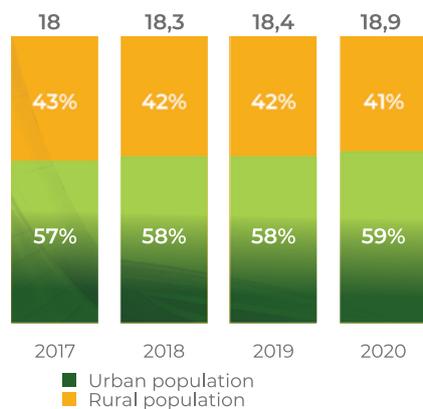
Total area of housing, commissioned in 2020, was **15.3** mln m², which is 38% more than that in 2017.

In 2020, the majority of housing was commissioned by private developers – **83.5%** (12.8 mln m²). At the expense of governmental sources **16.5%** of housing was commissioned (2.5 mln m²).

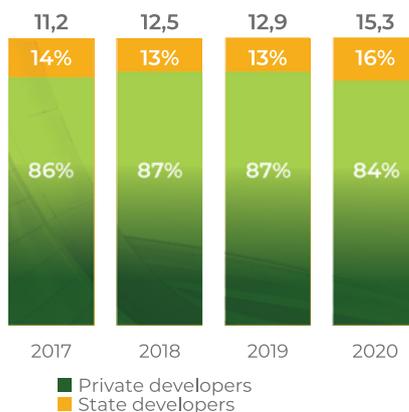
In 2020, housing stock of the country was **373.3** mln m², which is **7.4%** more than that in 2017. Private housing stock was 98% of total value in 2017–2020.

In spite of significant growth in the number of commissioned housing and increase of investment in housing construction, housing stock across the country showed minor growth.

Population dynamics in RoK, million people



Area of commissioned housing, mln sq.m.



Resource: Bureau of National Statistics of RoK ASP&R

This is associated with the escalation in natural withdrawal of housing stock due to the fact that more than 70% of residential buildings were built more than 15 years ago.

Cumulative growth in nominal average monthly salary of payroll employees in the country over the period from 2017 to 2020 was 32.7%.

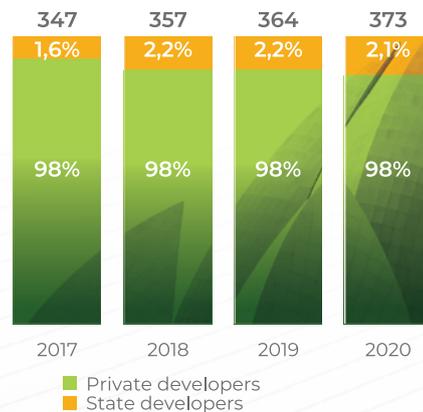
In 2020, increase in prices for primary housing was observed. Compared to 2019, the prices increased by 4.8%. Significant increase in prices for primary housing in 2020 was recorded in the following cities:

- Pavlodar — 30.8%;
- Karaganda — 22.5%;
- Aktobe — 16.4%;
- Kokshetau — 16.1%;
- Uralsk– 13.9%.

Similar trend is observed in the secondary housing market. In 2020, the price per 1 m2 at the secondary market increased by 14% compared to that in 2019. Region-wise the prices significantly increased in such cities as:

- Pavlodar– 37.4%;
- Shymkent– 27.9%;
- Uralsk– 25.5%;
- Karaganda– 24.6%;
- Ust-Kamenogorsk– 24.5%;
- Semey– 19.5%;
- Kostanay– 19.4%.

Housing stock, mln m²



Resourse: Bureau of National Statistics of RoK ASP&R

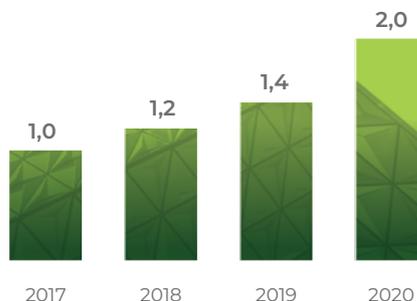
Price per 1 sq.m. of secondary housing in RoK in 2017-2020



According to the Bureau of National Statistics of RoK ASP&R, the number of people in waiting lists of LEAs by the end of 2020 is 550 812 people, among them: government employees (210 550), citizens, only dwelling of which was recognized as dilapidated (2 988), orphaned children (61 368), the disabled and participants of GPW (200), multiple children mothers (56 120), and vulnerable social groups (219 586).

Thus, there is a need to support and facilitate housing sector in affordable price segments, as well as take additional measures to support demand.

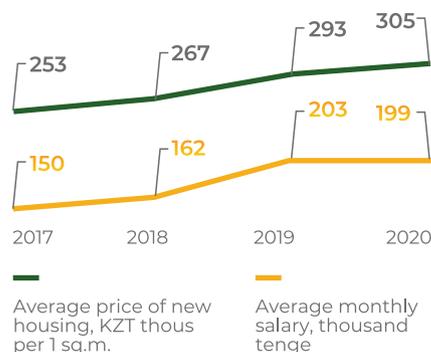
Housing construction investment, KZT tln



Price per 1 sq.m. of primary housing in RoK in 2016-2020



Rates of growth in population's income and housing prices



Resource: Bureau of National Statistics of RoK ASP&R

OVERVIEW OF AFFORDABILITY OF HOUSING

Housing per capita in 2020 was 22.6 m², per 1 person, while UN social standard is 30 m² per person.

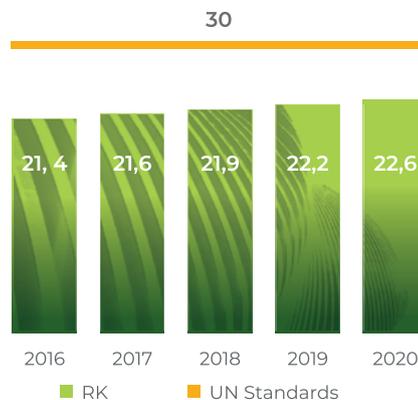
For example, level of housing per capita in developed countries, such as the USA and Germany, is 70 m² and 50 m² per person, respectively.

There are indices of housing per capita, which determine the amount of time, required to purchase standard housing, – HPI Index (Housing price-to-income ratio), and population’s ability to purchase standard housing with the help of mortgage, HAI Index (Housing Affordability Index)⁵.

According to UN standards, housing is considered affordable, if purchase of apartment with average area and cost takes less than 3 years, moderately affordable – 3 to 4 years, unaffordable – more than 5 years.

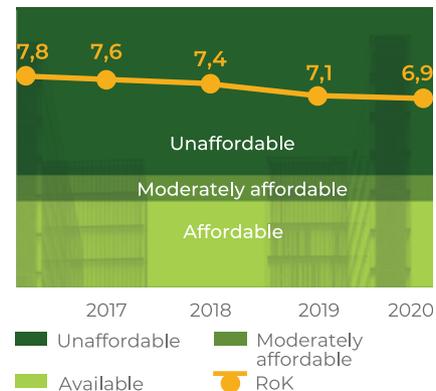
According to calculations of HPI Index, one working citizen of Kazakhstan needs 6.9 years (HPI1) to buy a standard apartment with the area of 54 m², provided that all the income will be directed to purchase of housing.

Housing Per Capita, m² per 1 person



Source: Bureau of National Statistics of RoK ASP&R

Comparison of housing affordability: RoK and UN standards, years



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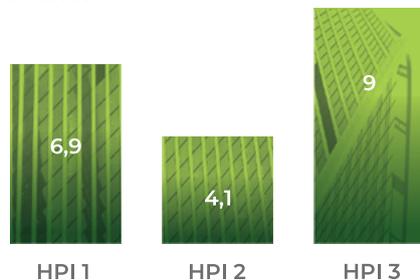
HAI Index was developed by the US National Real Estate Agents Association

Average Kazakhstan family (3 people) needs **4.1 years (HPI2)** to buy the same apartment, provided that all the income will be directed to purchase of housing. However, none of average families can direct all incomes to purchase of apartment for several years. Presuming that the family can direct not more than 1/3 of cumulative family monetary income per year, i.e., net of consumer spending, preserving normal living conditions, an average family needs **9.0 years (HPI3)** to buy a standard apartment.

There is also a housing affordability index HAI (Housing Affordability Index), which determines the ability of family to purchase a standard housing with the help of mortgage. The higher the index value (should be more than 100), the more affordable the housing is for the family with its income level under existing terms and conditions on mortgage.

With the application of the terms and conditions of mortgage program on increase of housing affordability – “7-20-25”, calculation of HAI Index showed that in view of decile (10-percent) groups by per capita incomes of the population, conditions of “7-20-25” program are available for 20% citizens of our country only, i.e., population cluster with high income:

Number of years, required to purchase a standard apartment in RoK



HPI 1 For one working person

HPI 2 For an average family of 3 members

HPI 3 For an average family, net of consumer spending

Source: Bureau of National Statistics of RoK ASP&R

Deciles (1 - the poorest population cluster and 10 - the richest population cluster)	HAI value (as of 2020)	Affordability of housing
1	28,5	Unaffordable
2	35,6	Unaffordable
3	40,7	Unaffordable
4	45,8	Unaffordable
5	51,8	Unaffordable
6	58,7	Unaffordable
7	67,7	Unaffordable
8	80,1	Unaffordable
9	100,0	Affordable
10	168,8	Affordable

Source: Calculations of KHC JSC

Similar calculations were performed for terms and conditions of Orda Program and Otbasy Bank JSC (programs: "Nurly Zher", "Military Product" and "Own House", providing accumulation of 50% within 3 years with estimate of 16, and "Bakytty Otbasy").

Calculations of HAI indicator showed that in view of decile (10-percent) groups by population income, conditions of Orda program and Otbasy Bank (programs: "Nurly Zher" and "Own House") are affordable for 10% of citizens of our country only, and conditions of Otbasy Bank JSC ("Bakytty Otbasy") - for 20% of citizens of our country only, i.e., for population cluster with high income.

OVERVIEW OF MORTGAGE LENDING MARKET

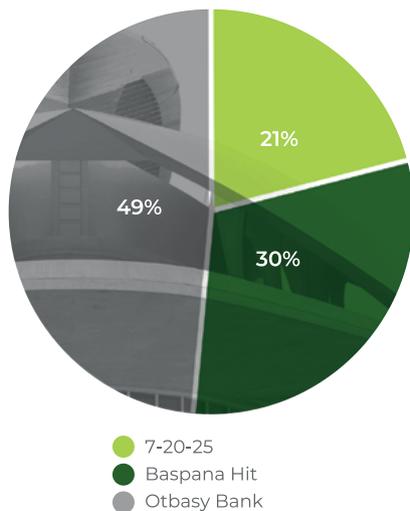
In 2020, 116.5 thousand mortgage loans for the amount of KZT 1.2 tln were granted, among which “Otbasy Bank”⁶ granted 51.9 thousand loans for KZT 609.4 bln, and under “7-20-25”/“Baspana Hit” programs 64.6 thousand loans for KZT 631.6 bln were granted.

Share of Otbasy Bank JSC in total volume of mortgage loans granting in 2020 is 49%, share of loans under “7-20-25”/“Baspana Hit” programs – 51%

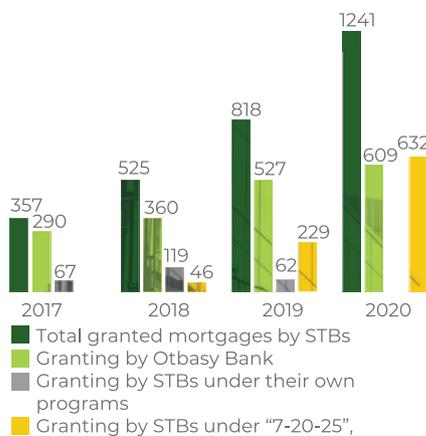
According to the National Bank of the Republic of Kazakhstan, as of 01.01.2021 cumulative mortgage portfolio of the Republic of Kazakhstan was KZT 2,426 bln, including:

1. Otbasy Bank JSC – KZT 1,368 bln (56.4%);
2. Second-tier banks (net of Otbasy Bank) – KZT 995 bln (41%);
3. Mortgage institutions – KZT 63 bln (2.6%).

Share of STBs in mortgage loans



Issue dynamics by main mortgage products, KZT bln



Source: HBK

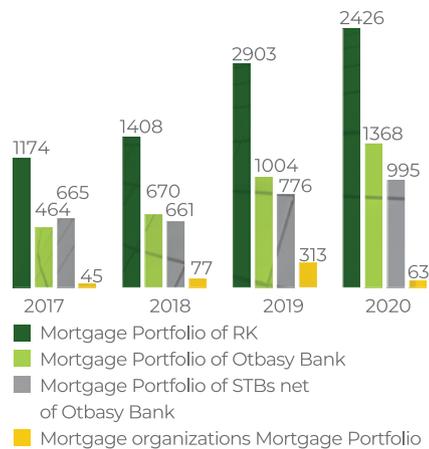
Since the beginning of 2020, cumulative mortgage portfolio increased by 16%. The growth of mortgage portfolio of second-tier banks excluding Otbasy Bank JSC was 28% predominantly on account of programs “7-20-25” and “Baspana Hit”, while portfolio of Otbasy Bank JSC increased by 36%.

Cumulative mortgage portfolio of second-tier banks, including Otbasy Bank JSC, as of 01.01.2021 as KZT 2,363.1 bln. The growth of index since the beginning of 2020 was 33%.

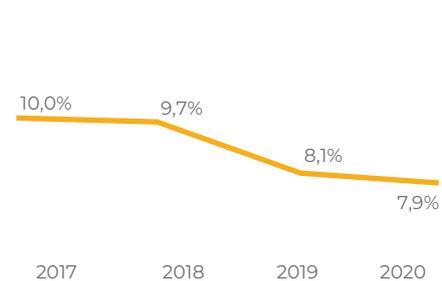
In 2020, population received mortgage loans for the amount of KZT 1,241 bln, which is higher than the indicator for the previous year by 52%. Over the past 5 years the volume of mortgage loans, granted by second-tier banks, has shown approximately 6-fold increase.

In 2020, average remuneration rate on granted mortgage loans was 7.9%, which is lower than that in 2019 by 0.2%.

Volume of total mortgage portfolio of the Republic of Kazakhstan, KZT bln



Average weighted interest rate on loans, issued by banks to citizens for construction and purchase of housing, %



Source: HBK

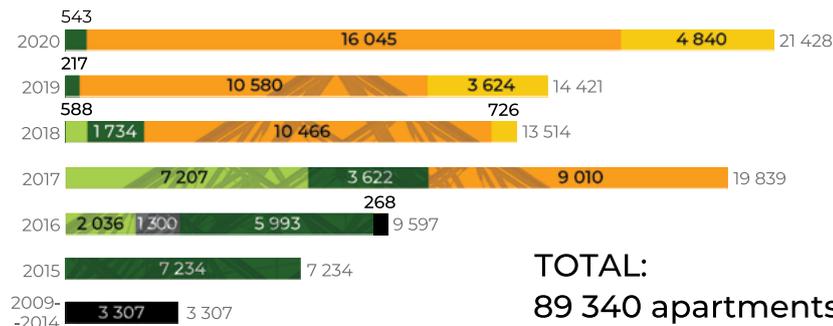
RESULTS BY BUSINESS SEGMENTS



VOLUME OF HOUSING COMMISSIONING

Over 20 years of work, at the expense of financing by KHC JSC⁷, commissioning of real estate objects with the total area of 6.5 mln m² was ensured, among them total area of housing is 6.4 mln m² (89 340 apartments).

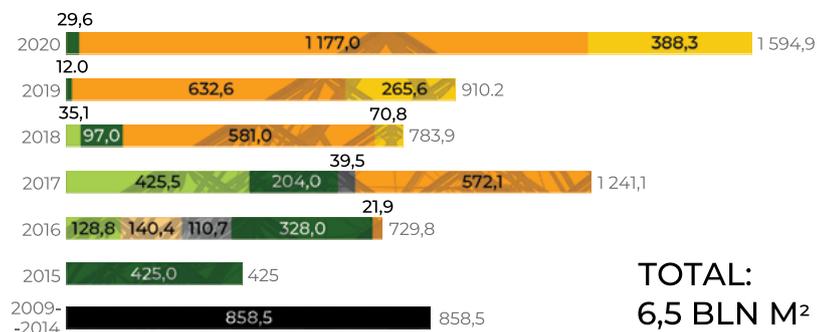
Volume of commissioned housing, apartments



TOTAL:
89 340 apartments

- «Nurly Zhol» projects
- Purchase and construction of housing
- Housing of LEAs
- Housing under "EXPO-2017"
- Objects of anti-crisis measures
- Guaranteeing of construction

Area of commissioned real estate units, thous sq.m.



TOTAL:
6,5 BLN M²

- Objects of "Nurly Zhol"
- Housing under "EXPO-2017"
- Objects of anti-crisis measures
- Housing of LEAs
- "EXPO-2017" SEC
- Purchase and construction of housing
- "Baiterek" BC
- Guaranteeing of construction

Source: KHC JSC

7 Including BD JSC and HCGF JSC

SUPPORT FOR HOUSING SUPPLY

FINANCING HOUSING CONSTRUCTION THROUGH THE PURCHASE OF LEA BONDS

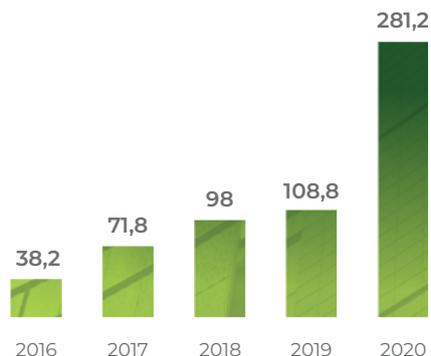
Key goal of the work of KHC JSC is to increase the number of affordable housing for Kazakhstan citizens. Within the framework of this direction under Nurly Zher Program, the Company finances construction of credit housing for the depositors of Otobasy Bank JSC by purchase of bonds of local executive authorities (LEAs). Proceeds from the sale of public securities are directed to construction of housing in all regions of Kazakhstan.

The funding source of purchase of LEA bonds is the National Fund of the Republic of Kazakhstan, from the funds of which in 2016–2020 KZT 457 bln were allocated for these goals, among them KZT 180 bln in 2020. Financing is implemented on a revolving basis.

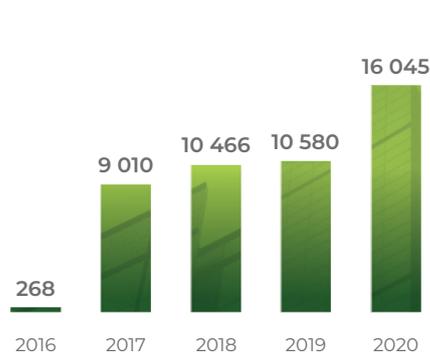
In 2020, within the Nurly Zher Program the Company purchased LEA bonds to finance the construction of affordable housing in the regions for the total amount of KZT 101.2 bln.

Besides, in 2020 during the term of the state of emergency, using mechanism of public securities purchase, the Company financed construction of credit housing under “Shanyrak” pilot project for the amount of KZT 180 bln. Participants of “Shanyrak” project are citizens, registered with the akimat as in need of dwelling. As of the end of 2020, more than 15 thousand of apartments (with total area of 888.8 thousand m²) were built at the expense of these funds. Almost half of the apartments (7.6 thousand) was commissioned in 2020.

Purchase of LEA state securities, KZT bln



Commissioned housing, number of apartments



Source: KHC JSC

Taken measures will not only allow providing the needy citizens with the dwelling, but also have positive impact on the development of economy, having ensured business activity, construction, creation of about **15 thousand** jobs. Herewith, all funds are repayable.

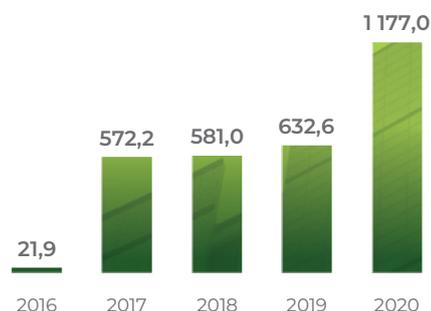
Totally in 2016–2020 within financing of credit housing under Nurly Zher Program, KHC JSC purchased bonds of LEAs for KZT 597.8 bln. About 46.4 thousand apartments (almost 2.98 mln m²) were commissioned.

In 2021, in this direction we plan to ensure purchase of public securities of LEAs for the total amount of KZT 109.6 bln.

Important objectives are monitoring of housing affordability, creation of comfortable living conditions for population, and determination of effectiveness of measures taken. Therefore, the Company is working on analytical studies, including those on real estate and housing construction market, as well as will impose technical requirements on sponsored objects considering the consumer demand.

In order to ensure timely reinvestment of allocated funds and implement indicators of state programs, the Company will prepare offers for state authorities on distribution of funds and ensure digital monitoring of drawdown of funds, as well as rate of construction and realization of real estate objects. We will also consider the possibility of increasing the amount of financing construction and mixing of funds of RoK NF with external borrowings.

Commissioned housing, thous m²



Source: KHC JSC

GOAL: Purchase of LEA bonds for the amount of KZT 328.6 bln by the end of 2023 to finance the housing construction (cumulatively from 2021).

GUARANTEEING PARTICIPATION IN JOINT HOUSING CONSTRUCTION

In order to ensure protection of rights and interests of interest holders, the Company provides guarantees for completion of construction of residential house in the event of warranty case and transfer of shares in residential building to the interest holders under farm-in agreements in housing construction.

KHC JSC acknowledges warranty case upon the occurrence of the following events:

- failure to meet the date of commissioning of residential building;
- unauthorized use of money;
- insolvency of developer, established by the decision of court, which took its legal effect.

In the event of warranty case, the Company accepts liability on completion of object construction, financing of which will be implemented from reserve funds, generated on account of guarantee fees of developers and provided exclusively for covering expenses, connected with the settlement of warranty case.

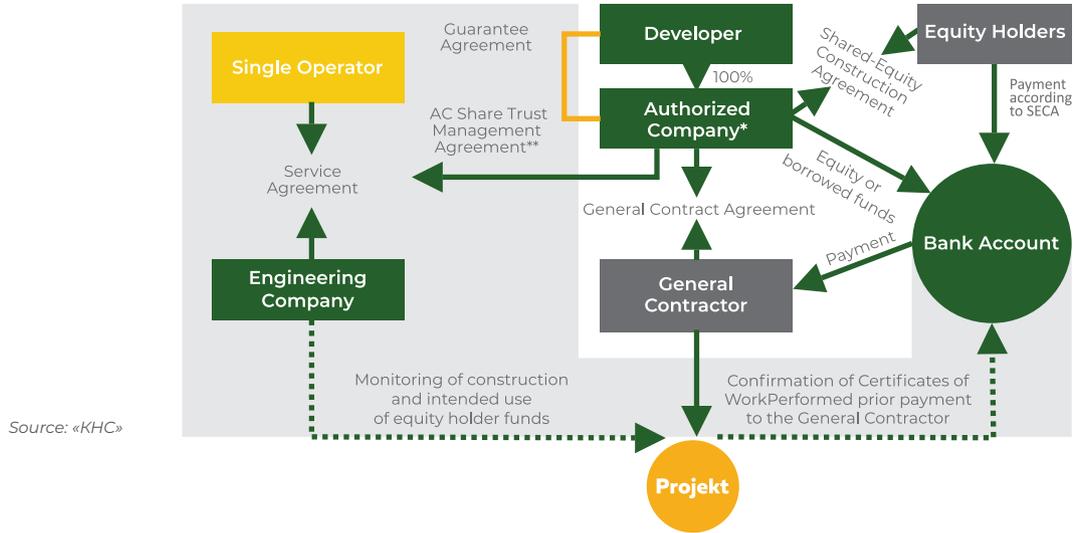
RoK Law “On interest in housing construction” establishes core competences of the developer and authorized company on financial stability and experience. KHC JSC applies mechanisms of control and monitoring over intended use of interest holders' money and progress of construction via engineering companies.

According to the laws, if the developer intends to attract money of the interest holders, it can use one of the following methods:

1. guarantee of the Single Housing Construction Operator;
2. project participation through bank financing;
3. equity holder engagement after the framework construction of a residential building.

Permission of local executive authorities is required to attract the funds of equity holders if the developer uses the second or third method. These three methods currently form the system of shared-equity construction in Kazakhstan.

Housing Construction Guarantee Mechanism



Source: «KHC»

* AC should have 1/p, DED, own interest of at least 10-15% of the project cost

** Takes effect upon the occurrence of a guarantee event

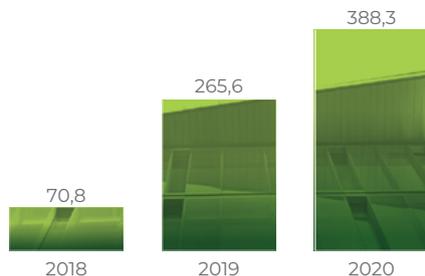
By the end of 2020, the Company issued **30** guarantees for the construction completion of residential buildings in Nur-Sultan, Almaty, Shymkent, Karaganda, Atyrau for a total amount of KZT 120.7 bln. Apartment construction was guaranteed for approximately **8,847** Kazakh households (747 thous m²). The Company's guarantees cover **29%** of the shared-equity construction market.

In 2020, **388.3** thous m² (**4,840** apartments) was commissioned with the Company's guarantees.

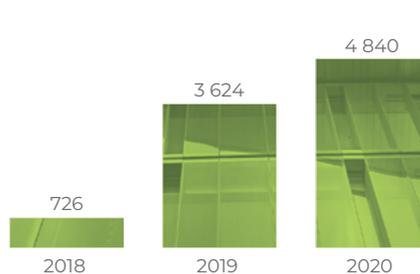
Moreover, legislation was amended in part of reducing guarantee fee rate to one percent during 2020.

With additions to the Baspana Hit Program, housing mortgage in construction projects received the guarantee of the Single Housing Construction Operator became possible..

Housing commissioning with the Company's guarantee, thous. sq.m.



Housing commissioning with the Company's guarantee, nos



Source: KHC JSC

In 2020, within the framework of the Expertise Exchange Program (EEP), together with HUG (Korean Housing and Urban Guarantee Corporation), studies were conducted to improve the effectiveness of the housing construction guarantee mechanism.

Further improvements to the guarantee mechanism are planned in the light of the recommendations received, including the development and implementation of a rating system for the evaluation of developers and the introduction of an additional guarantee settlement mechanism.

GOAL: The volume of guarantees issued by the end of 2023 in the amount of KZT 291.6 bln.

NEW DIMENSIONS

RENTAL MARKET DEVELOPMENT WITHOUT PURCHASE OPTION

The Company will establish real estate investment funds (REIFs) to institutionalize and develop rental housing. In particular, there will be REIF established for investment in residential and non-residential real estate (business centers, SECs, hotels, etc.), as well as REIF for the formation of a private rental housing pool for LEA's waiting lists under the Nurly Zher Program.

GOAL: Establishment of a Real Estate Investment Fund by the end of 2023 with characteristics of at least 100 apartments or 6 thousand m² of housing (subject to appropriate amendments to the legislation of the Republic of Kazakhstan).

FINANCING INVESTMENT PROJECTS

Financing Housing Construction

Then within the framework of its own investment projects, the Company will finance housing construction, including depositors of Otbasny Bank JSC under the Nurly Zher Program, and also consider the possibility of creating a single shared construction product with Otbasny Bank JSC.

The level of financing will be determined on the basis of demand and project coordination with depositors of Otbasny Bank JSC and government agencies which the relevant agreements and memoranda will be concluded with.

The Company will also finance the housing construction under the Nurly Zher Program using the funds of the National Fund of the Republic of Kazakhstan.

Projects may be financed by mixing IFOs borrowings with the Company's own funds to reduce the funding rate for private partners, but with subsequent reimbursement, depending on the financial performance of projects.

KHC JSC will also consider the possibility of implementing urban projects.



Socially Oriented Projects

The Company will finance socially oriented projects with the participation of LEA, universities or professional operator companies specializing in the management of social facilities, in particular:

- educational facilities;
- social infrastructure facilities;
- healthcare facilities;
- other urban facilities (parks, squares, playgrounds, fountains and other public spaces/facilities).

Socially oriented projects are expected to be financed subject to guaranteed purchase of real property from the Company's balance sheet. The financing sources may be the Company's own funds, as well as the funds of IFOs, including various co-financing vehicles.

MASTER DEVELOPER FOR COMPLEX DEVELOPMENT OF RESIDENTIAL DISTRICTS

KHC JSC will act as a Master Developer for the design and implementation of complex development of microdistricts to create a comfortable living environment for the population.

Within the complex development, the Company will provide housing, kindergartens, schools, clinics, parks, business centers, shopping centers, etc.

Based on the analysis of the needs of the population, requirements/standards will be set for the design of an ideal neighbourhood for living.

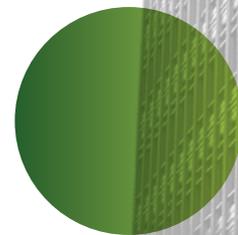
GOAL: Complex development of a microdistrict (pilot project) with at least 50 thous. m² of housing by the end of 2023.

RENOVATION OF DILAPIDATED HOUSING

In 2020, almost 3.5 thousand residential buildings were in disrepair in Kazakhstan, where more than 69 thousand people live.

KHC JSC will finance renovation of dilapidated housing within the framework of state programs, own investment projects and individual agreements with LEA to make housing more convenient for the population. The procedure for financing the renovation of dilapidated housing will be determined according to the Company's internal documents.

GOAL: Financing the renovation of dilapidated housing in the amount of KZT 5 bln by the end of 2023.



SUPPORT FOR HOUSING DEMAND

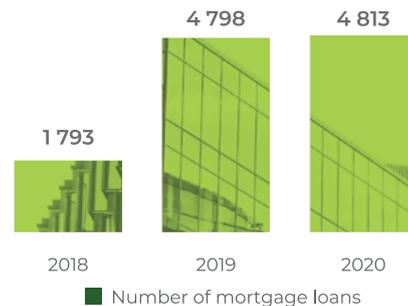
ACQUISITION OF MORTGAGE CLAIMS AND SECURITIZATION

KHC JSC secures the acquisition of mortgage claims from commercial banks and the issue of mortgage securities for the housing demand stimulation and support.

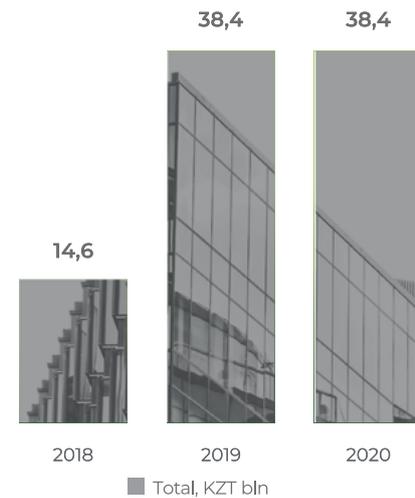
This vehicle contributes to the expansion of mortgage lending by banks, since the released funds can be used to provide mortgage loans to new borrowers in the near future. For the final borrower, such a transaction does not entail any changes: he also continues to make his monthly contributions to the bank where the initial registration took place.

At the end of 2020, the Company acquired the rights of claim for mortgage loans in the amount of more than KZT 225 bln. In particular, in 2020 - under 15 contracts in the amount of KZT 54.9 mln.

Amount of acquired rights of claim cumulatively since 2018, nos



Amount of acquired rights of claim cumulatively since 2018, KZT bln



Source: KHC JSC

GOAL: Acquisition of rights of claims in the amount of KZT 18.6 bln by the end of 2023 (cumulatively since 2021).

ISSUANCE OF MORTGAGE LOANS THROUGH AGENT BANKS UNDER THE ORDA PROGRAM

The Orda Mortgage Program is aimed at improving the housing conditions of individuals with average and above-average incomes who want to purchase housing (primary or secondary) of a higher comfort class (the cost of housing is above KZT 25 mln).

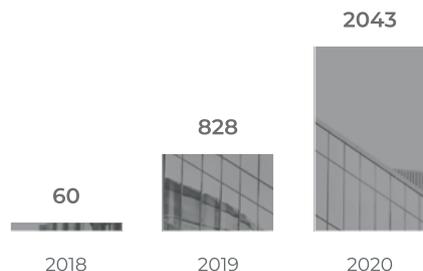
Cooperation Agreements were signed with Jysan Bank JSC, Bank CenterCredit JSC, Eurasian Bank JSC, BI Capital LLP for the Orda Mortgage Program implementation..

How does it work?

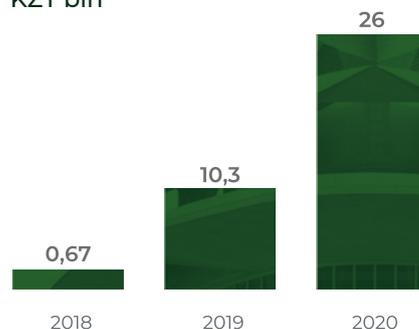
1. The borrower chooses an apartment and submits documents to the partner bank
2. The Bank submits a request to KHC JSC
3. KHC JSC performs the borrower's underwriting
4. KHC JSC sends its decision to the bank
5. The borrower has an apartment

In total, since the beginning of the Program at the end of 2020, **2,043** loans were issued for a total of KZT **26 bln**, in 2020 – 1,215 contracts for the amount of KZT 15.8 bln. Despite the global pandemic and the difficult situation on the lending market, the number of loans issued by KHC JSC in 2020 increased by **158%** compared to 2019.

Number of issued mortgage loans, cumulatively since 2018, nos



Number of issued mortgage loans, cumulatively since 2018, KZT bln



GOAL: Issuance of mortgage loans through agent banks for KZT 41.4 bln by the end of 2023 (cumulatively since 2021).

Source: KHC JSC

PROVISION OF RENTAL HOUSING WITH PURCHASE OPTION UNDER THE NURLY ZHER PROGRAM.

The sale of rental housing is a socially significant area of activity of KHC JSC, aimed at providing housing for waiting lists of local executive authorities, as well as employees of state/non-state legal entities (including their subordinate organizations), in accordance with the concluded agreements. Housing is provided for rent for up to 20 years with subsequent purchase option.

Program Participants

LEA waiting lists	Employees of state/non-state legal entities
<ul style="list-style-type: none"> • large families; • single-parent families; • families with or raising children with disabilities; • orphans, children left without parental care; • kandases; • civil servants, military personnel, employees of special state bodies, employees of budget organizations; • disabled people of groups 1-2. 	<ul style="list-style-type: none"> • The Healthcare Ministry and Ministry Of Science and Education workers and the workers of lower organizations • Workers of Education Department and of Healthcare Department and of lower organizations at Akimats with whom there are agreements of co-operation • Workers of other state/non-state legal bodies (including lower organizations) who could be provided with rented housing followed by buying out in accordance with agreements made with state/non-state legal bodies.

This project was provided with financing in the amount of KZT 163.3 bln, including through obtaining preferential loans from the National Fund of the Republic of Kazakhstan (KZT 115 bln) and the Republican Budget (KZT 19.1 bln), as well as increasing the authorized capital of the Company by KZT 29.2 bln under the Affordable Housing 2020 Program.

In 2019, the Company signed agreements with the Ministry of Health and the Ministry of Education and Science of the Republic of Kazakhstan, as well as with the Akimats of Mangistau, Kostanay, Karaganda regions (housing sales to employees of the Health and Education Departments) to provide rental housing with the purchase option to employees of the health and education sectors. In 2020, agreements were also signed with the Akimats of Nur-Sultan and Aktobe, with the Ministry of Culture and Sports, the Ministry of Information and Public Development.

GOAL: Sale of apartments for rent with purchase option in the amount of KZT 19.2 bln in 2021.

In the period 2014 to 2020, KHC JSC concluded 22,062 contracts for the purchase of housing for rent with the purchase option for a total amount of KZT 197.5 bln, in 2020 – 543 contracts for the amount of KZT 6.2 bln.

The Program covers more than 20 cities of the country, including Nur-Sultan, Almaty, Shymkent, Aktobe, Kyzylorda, Aktau, Uralsk, Kostanay, Petropavlovsk, Karaganda, Pavlodar, Semey, Ust-Kamenogorsk, Taraz and others.

The Company will continue to provide rental housing with purchase option within the framework of the Nurly Zher Program to employees in education and healthcare sectors, as well as other employees in accordance with the memoranda concluded with LEA and state organizations in accordance with the Company's internal documents. Financing will be provided by borrowing from the financial market and reinvesting the Company's incoming rent payments.



SUBSIDIZING PART OF THE INTEREST RATE ON MORTGAGE LOANS

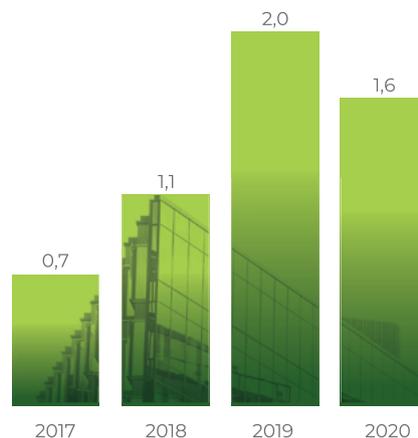
Within the framework of the Nurdy Zher Program, the Company was assigned as a financial agent for subsidizing part of the interest rate on mortgage loans.

During the work in this area (from the early 2017 to June 2018), KHC JSC concluded 3,473 subsidy agreements for a total amount of KZT 36.2 bln.

7 banks participate in the program: ATF Bank JSC, Bank CenterCredit JSC, Otbasy Bank JSC, Nurbank JSC, Tsesnabank JSC, SB Sberbank JSC, SB VTB Bank JSC.

Due to the approval of the 7-20-25 Program, this project was suspended, and the Company operates only in relation to previously accepted obligations under concluded contracts.

Amount of paid subsidies, KZT bln



Source: KHC JSC

DEVELOPMENT OF INFORMATION TECHNOLOGY AND ANALYTICS

NURLY ZHER SITUATION CENTER

For the housing policy implementation monitoring, the Company has developed the Nurly Zher Situational Center and the LEA Portal for the supervision of property under construction, financed by the Company within the framework of the Nurly Zher Program and the Employment Roadmap 2020-2021, and a mobile application to fill in the data.

These solutions allow the Company, as a financial operator for the repurchase of LEA state securities, as well as interested government agencies to:

1. monitor remotely projects under construction with the use of modern technical control facilities (cameras, drones, tablets, etc.);
2. monitor the application of funds and sale of housing;
3. forecast commissioning dates of facilities with possible deviations;
4. analyze photo, video stream and information from LEA using artificial intelligence;
5. develop measures based on data analysis.

System Principle

LEA via their personal accounts on the portal post relevant information on the residential construction progress in regions, volume of financing and sale of completed housing. Construction progress information may also be entered via mobile app by LEA employees/inspection/developer at the facility.

LEA information is visualized in the Interactive Situation Center in real time. There are currently more than 30 interactive widgets developed that display all the necessary information on the Company's activities within the framework of the Nurly Zher Program (LEA bonds purchase/repayment, housing sales volume, housing construction/commissioning volumes).

Equipping facilities with video surveillance allows remote monitoring of the overall progress and dynamics of the facility construction, as well as staff and equipment turnover.

According to preliminary estimates, the development of the Situation Center has reduced the time for preparing a report for one LEA employee 16 down to 6 hours per week, as well as reports review and processing time for one employee of the Company 16 down to 1 hour per week. The use of paper media for reports, the number of reached 68 per month, was also canceled.

Activities in 2020

In 2020, portals for construction and purchase of rental housing monitoring, as well as for engineering and communication infrastructure construction monitoring, were created in the Nurly Zher Situation Center within the framework of the Employment Roadmap 2020-2021. These portals will be launched in 2021.

Further development

The Company will go on developing these decisions in the following directions:

1. Intellectual monitoring of construction using "computer vision";
2. Forming database of the Company's industrial criteria;
3. Predictive data analysis using the algorithms of computer-assisted instructions;
4. Integrating with the state databases;
5. Performing regular analytical research including the one on the real estate market and residential construction

For this, the Company will develop data science and big data, project management, as well as housing market research and analysis competencies.

NEW DIMENSIONS:

CONSTRUCTION MATERIALS MARKETPLACE

The Nurly Zher Situation Center-based Construction Materials Marketplace where the construction industry players will be able to post information on products, works, services and make deals, will be created for reducing the cost of housing and supporting Kazakhstan construction materials producers.

At the first stage Kazakhstan Housing Company created an online showcase for construction materials demand at www.stroimaterial.kz under the Nurly Zher Program when Kazakhstan construction materials producers may learn the needs, and, if necessary, send commercial proposals after registration. Construction companies will receive notifications about received commercial proposals from material manufacturers

in their personal accounts. Currently, the showcase is running in demo mode under functional and load testing.

At the second stage, the Electronic Contracting between construction industry players function and the Construction Materials Delivery Control function will be introduced, and the offtake service will support and verify participants and monitor transactions.

It is planned to integrate the Marketplace with Atameken NCE's register of domestic manufacturers, state information systems and other private online platforms for construction materials.

GOAL: to create construction materials marketplace in the year 2021

HOUSING PORTAL

KHC JSC will establish a Housing Portal to provide comprehensive services to citizens of Kazakhstan.

The Housing Portal will include the following functions:

Information about shared-equity construction projects	After-sale services	Resale market	Digital mortgage / aggregator of mortgage products
<p>Creating a database of shared-equity construction projects</p> <p>Inspection of projects with guarantees of the Company, LEA and STBs</p> <p>Monitoring of shared-equity construction projects under construction</p> <p>Number of facilities under construction (apartments)</p> <p>Number of apartments available for sale</p>	<p>Feedback from POAs</p> <p>Requests for technical staff services</p> <p>Creating POAs rating</p> <p>POAs performance assessment</p> <p>Reviews on the quality of POAs services</p> <p>Surveys of residents about their satisfaction with living conditions</p> <p>Personal accounts for discussing current problems of the residential complex</p> <p>RC News</p>	<p>Creation of a housing database, within which state support tools are provided</p> <p>Regulation of the sale and delivery of housing provided under state programs</p> <p>Establishment of a “private” club of state housing owners</p> <p>Possibility of sale, rent, assignment to club members or LEA waiting lists</p>	<p>Digital Mortgage System establishment</p> <p>Electronic registration of mortgage bonds</p> <p>Catalog of mortgage loans according to the housing affordability ladder</p> <p>Catalog of STBs mortgage loans</p> <p>One-stop-shop for mortgage borrowers</p> <p>Virtual integration with Otbasý Bank JSC</p>

FINANCIAL REVIEW



SOCIALLY ORIENTED AND ANTICRISIS PROGRAMS

REPURCHASE OF LEA BONDS WITHIN THE FRAMEWORK OF THE EMPLOYMENT ROADMAP 2020-2021

The Company finances infrastructure projects by repurchasing LEA bonds within the framework of the Employment Roadmap 2020-2021 for the regional development and employment of the population.

The Roadmap was launched in March 2020 as an anti-crisis measure. During the difficult social and economic situation in Kazakhstan due to the pandemic in 2020, the Program implementation helped to maintain productive employment of the population.

LEA bonds repurchase by the Company allows Akimats to finance important infrastructural projects for the region and at same time create jobs and maintain the source of income for the population.

For these purposes, in 2020, the Company received funds from the National Bank of the Republic of Kazakhstan in the amount of KZT 700 bln. LEA bonds were purchased for a total amount of KZT 677.1 bln. 6,495 projects were implemented with these funds, where almost 239 thous are employed.

GOAL: Repurchase of LEA securities in the amount of KZT 700 bln in 2020-2021 to finance infrastructure projects and provide job creation (cumulatively since 2020).

RETURN OF FUNDS, ALLOCATED FOR EXPO-2017 PROJECTS AND OTHER REAL ESTATE PROPERTIES

In 2014, the Company financed the construction of an apartment complex and a shopping center for the EXPO-2017 International Specialized Exhibition in Nur-Sultan.

The Company invested KZT 91.1 bln in total in construction projects, KZT 76.1 bln of which - funds from National Fund of the

Republic of Kazakhstan and KZT 15 bln - DBK loan for additional construction financing of Mega Silk Way shopping center.

In December, 42 houses with the total area of 110.7 thous m2 and Mega Silk Way SEC with a total area of 140.4 thous m2 were commissioned.

Financing volume

Nº	Facility Name	Project Company name	Total Project Cost, KZT bln	Company's Investment Amount, KZT bln
1.	Residential buildings	Lux Real Estate Group LLP	23,3	19,9
		BI Group Corporation LLP	23,6	19,9
2.	Mega Silk Way SEC	Mega Plaza LLP	64,7	51,2
Total:				91,1

Source: KHC JSC

In February 2017, RC commissioned apartments were leased to Astana EXPO-2017 NC JSC for the accommodation of foreign delegations for the exhibition. In February to November 2017, temporary accommodation was provided to 25,776 participants of the exhibition.

For the return of funds allocated for construction, the Company has been selling real estate in RC, consisting of **1,300** apartments, 1,300 parking lots and 33 non-residential premises since 2018.

As of December 31, 2020, the Company sold 1,300 apartments and **912** parking lots in the amount of KZT **40.1** bln.

Real Estate realization on the territory of EXPO-2017

Indicator	2018	2019	2020	total
Apartments, nos.	142	1133	25	1300
Parking lots, nos.	102	680	130	912
Non-residential premises, nos.	0	2	2	4
Sales amount, KZT bln	3,9	35,2	0,97	40,1

Funds from the National Fund of the Republic of Kazakhstan in the amount of KZT 36.2 bln were allocated for the construction of the shopping center. In addition, the Company received a loan in the amount of KZT 15.0 bln from Development Bank of Kazakhstan JSC. In 2018, the Company made a full early repayment of the loan to Development Bank of Kazakhstan JSC.

Source: KHC JSC

In 2018, the Company made a full early repayment of the loan to DBK JSC with the preservation of the obligations of Mega Plaza LLP in the amount of KZT 7 bln.

Due to the introduction of the state of emergency in the Republic of Kazakhstan in 2020, Mega Plaza LLP was granted a deferral for the payment of the principal debt until September 1, 2020 and interest until June 1, 2021. As of the end of 2020, Mega Plaza LLP

made an early refund of funds on the granted deferral.

As of December 31, 2020, according to of the Share-1 (funds of the National Fund of the Republic of Kazakhstan) and Share-2 (funds of the Company) repurchase schedule in the shopping center, the Company returned KZT 7.45 bln in a timely manner. In 2021, it is expected to repurchase Share-1 in the shopping center in the amount of KZT 0.3 bln.

The volume of return of funds from the sale of a share in the shopping center, KZT bln

Indicator	2018	2019	2020	Remainder
Share-1 (funds of the National Fund of the Republic of Kazakhstan)	0,05	0,2	0,2	35,8
Share-2 (Company funds)	1,65	2,6	2,75	0
Return of funds amount	1,7	2,8	2,95	35,8

Source: KHC JSC

GOAL: The Company will provide a timely return of funds from the sale of a share in Mega Silk Way SEC in the amount of KZT 36.2 bln. by 2034 and from the sale of EXPO-2017 real estate facilities (housing and parking lots) in the amount of KZT 39.9 bln. by 2036. of 39.9 billion tenge before the year 2036.

RETURN OF FUNDS FROM HALYK BANK OF KAZAKHSTAN JSC AND DEVELOPMENT BANK OF KAZAKHSTAN JSC.

KHC JSC will monitor the timely return of funds allocated in 2009-2012 by Development Bank of Kazakhstan JSC (KZT 20 bln, maturing in 2024) and Halyk Bank of Kazakhstan JSC (KZT 18.2 bln, maturing in 2029) within the framework of crisis measures for the business support of companies of manufacturing industry and real estate market solution, accordingly.

At the end of 2020, the refund amounted to KZT 2.2 bln (DBK JSC) and KZT 6.9 bln (Halyk Bank of Kazakhstan JSC)

FINANCIAL OVERVIEW



In 2020, the Company put over the reorganization by its merge with HGF JSC and Baiterek Development JSC, resulting in increased assets and new functions and activities. There was a significant change in the scale of the organization's activities, which affected the main financial indicators.

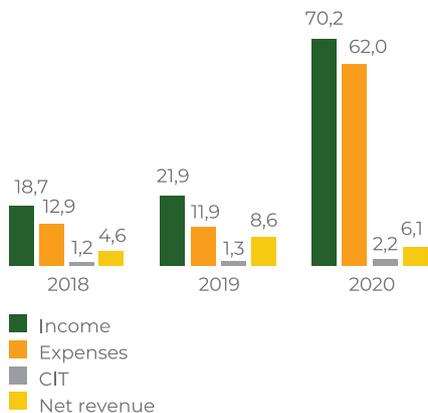
As of January 1, 2021, the Company's assets amounted to KZT 1.4 tln. 63% of the assets structure - financial assets (including LEA bonds under the Nurlı Zher and Employment Roadmap Programs).

The amount of liabilities is KZT 1.2 tln. Loans received from the Ministry of

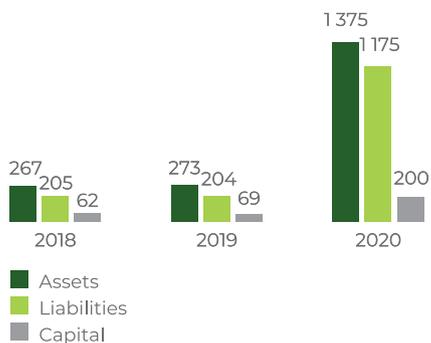
Finance of the Republic of Kazakhstan and Bayterek NMH JSC (34%), as well as issued securities of the Company (63%), constitute the main share in the structure of liabilities.

At the of 2020, the Company's revenues amounted to KZT 70.2 bln, net profit – KZT 6.1 bln. The main part of income consists of income from financial instruments (43%), income from financing (31%) and income from sales of products, works performed and services rendered (22%). Remuneration expenses (37%) and financial instruments expenses (23%) constitute the largest share of expenses.

P&L Statement figures, KZT bln

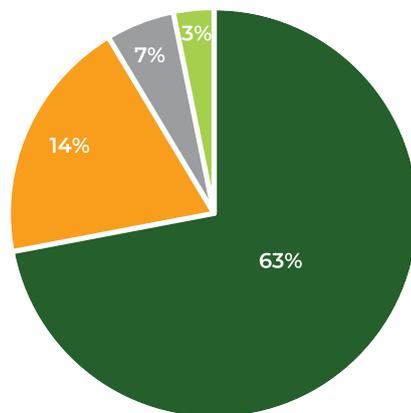


Balance sheet figures, KZT bln



Source: KHC JSC

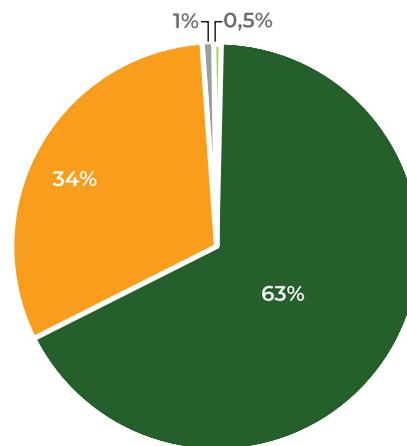
Assets Structure, 2020, %



- Financial assets
- Finance lease receivables
- Loans issued to customers
- Cash and cash equivalents

Source: KHC JSC

Liabilities Structure at the end of 2020



- Issued securities of the Company
- Loans of the Ministry of Finance of the Republic of Kazakhstan and Baiterek NMH JSC
- Issued guarantees
- Accounts payable and other liabilities in the form of tax deductions

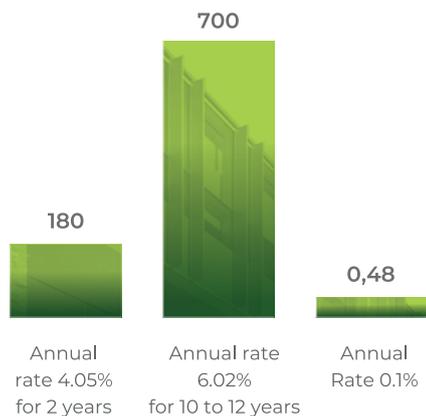
Key Financial Indicators

Financial Indicators	2016	2017	2018	2019	2020
EDITDA, KZT bln	11,8	10,5	12,8	18,2	32,2
EBITDA margin, %	109,6	85,2	92,6	118,6	51,5
NI margin, %	15,0	21,3	24,6	39,3	8,6
Equity / Debt Capital, %	26,5	32,7	30,9	34,7	17,0
ROA, %	1,2	1,5	1,8	3,2	0,7
ROE, %	6,3	6,7	7,7	13,1	4,5
Net Income, KZT bln	3,1	3,6	4,6	8,6	6,1
Operating profitability, %	19,1	29,6	35,7	71,9	9,8
Weighted average TAF yield, %	12,0	9,6	11,5	9,3	9,6
Debt / Equity, %	4,0	3,3	3,3	2,9	5,8
Debt/ EBITDA, %	16,5	18,2	16,1	11,2	32,4

RAISING FUNDS

For the effective implementation of state programs to provide the population with affordable housing and financial stability, KHC JSC strives to diversify funding sources.

Placed Bonds Structure in 2020



In 2020, the Company placed its own bonds in the amount of KZT 880.5 bln. The main amount received from the placement of its own bonds was used to purchase bonds of local executive bodies within the framework of state programs.

Within the framework of the strategic initiatives in 2021, it is planned to place own bonds in the amount of KZT 471.3 bln on the local market, and borrow funds in the amount of RUB 10.5 bln.

SUSTAINABLE DEVELOPMENT



KHCJSC is focused on balanced sustainable development and creating value for a wide range of stakeholders in the long term. The Company strives to effectively manage the impact of its activities on environment, economy, and society, and makes decisions taking into account the interests of stakeholders.

The Company relies on its mission, the Company Development Strategy, as well as international standards of conduct and principles established by international standards for sustainable development to achieve sustainable development.

The Company considers the use of international standards in the field of sustainable development as a necessary condition for conformity of its activities with the best international practices and achievement of the sustainable development goals and objectives.

KHC JSC has a Sustainable Development Policy. Its provisions are subject to compliance by all employees of the Company in terms of interaction with interested parties, when planning and implementing their activities, developing internal documents, distributing information and other types of communication.

The Company faces the following long-term development tasks:

- integration of sustainable development principles into the Company's activities;
- analysis of activities and risk control in the context of three components of sustainable development;
- improving quality of sustainable development governance through organization of systematic operation;
- creation of mechanisms for the Company's effective interaction with stakeholders, including regular update on the activity results in the field of sustainable development.

The company ensures the coherence of its economic, environmental and social goals for long-term sustainable development

Sustainable Development Goals of KHC JSC

Economic component	Environmental component	Social component
<ul style="list-style-type: none"> • break-even activity; • best interests of shareholders and investors; • increased process efficiency; • increased investment in the creation and development of more advanced technologies; • increased labor productivity 	<ul style="list-style-type: none"> • minimized impact on biological and physical natural systems; • optimal use of limited resources; • use of environmentally friendly, energy- and material-saving technologies 	<ul style="list-style-type: none"> • transparent employment competitive procedures and equal opportunities; • fair remuneration and respect for employee rights; • labor safety and preserving health of employees; • training and professional development of employees; • implementation of internal and external social programs

The Company is guided in its activities by principles of sustainable development, as enshrined in the Corporate Governance Code of Kazakhstan Housing Company JSC: openness, accountability, transparency, ethical conduct, respect for interests of stakeholders, legality, respect for human rights, intolerance to corruption, inadmissibility of conflicts of interest.

KHC JSC IS COMMITTED TO PRINCIPLES OF THE UN GLOBAL COMPACT IN ITS ACTIVITIES

Human rights	<ul style="list-style-type: none">• The Company provides and respects the protection of internationally proclaimed human rights, as well as non-involvement in human rights violations.
Labor relations	<ul style="list-style-type: none">• The Company supports and recognizes the right to collective bargaining, contributes to the elimination of forced and child labor, discrimination in labor and employment.
Environmental protection	<ul style="list-style-type: none">• The Company supports a precautionary approach to environmental issues, undertakes initiatives to enhance environmental responsibility, and promotes the development and diffusion of environmentally sound technologies.
Anti-corruption	<ul style="list-style-type: none">• The Company claims to its zero tolerant for all forms of corruption and other illegal actions, including extortion and bribery, and takes the necessary measures to prevent these facts.

SUSTAINABLE DEVELOPMENT GOVERNANCE

The Company's Sustainable Development Governance System is inextricably linked with the Corporate Governance System. The sustainable development principle is included in the Corporate Governance Code.

The Company periodically analyzes and assesses management processes, if necessary, processes are adjusted and relevant information is brought to the attention of all interested parties.

The Company integrates sustainable development principles into the Company's Development Strategy and key processes, including planning, reporting, risk management, investment, operational activities and others, as well as into decision-making processes at all levels, starting from the bodies (the Sole Shareholder, the Board of Directors, the Management Board of the Company) and ending with employees.

The Company's Management Board provides the establishment of an appropriate Sustainable Development Management System and its implementation, as well as approves an appropriate Action Plan in the field of sustainable development.

The Company's structural divisions are responsible for compliance with the provisions of the Sustainable Development Policy. The responsible structural divisions of the Company, as defined by the Management Board, implement measures in the field of sustainable development, ensuring achievement of strategic KPIs in this field.

Heads of the responsible structural divisions of the Company are personally responsible for the implementation of measures and achieving KPI in the field of sustainable development within their competencies.

The structural divisions of the Company provide information on the results of the implementation of measures in the field of sustainable development, as well as information for inclusion in the Company Annual Report at the request of the structural division supervising operation in the field of sustainable development of the Company, if necessary, make proposals for improving the Company's activities in this area.

The Company's structural division supervising operation in the field of sustainable development, assigned by the Management Board, performs the following functions:

- planning of activities in the field of sustainable development – analysis of the internal and external situation, definition of goals, as well as targets in the field of sustainable development, measures to improve and advance activities on the three components of sustainable development, responsible persons, necessary resources and deadlines;
- coordination of the activities of the Company's structural divisions aimed at achieving the Company's goals and objectives;
-
- preparation of a report on the implementation of the Action Plan and efficiency in the field of sustainable development;
- preparation of the Company Annual Report with the inclusion of a section on sustainable development;
- organization of training seminars for the Company's management and employees to improve their skills in the field of sustainable development with the involvement of external trainers or independently;
- interaction with international organizations, institutions, agencies on sustainable development issues.

The Company analyzes both internal and external factors affecting the Company to identify sustainable development risks. Sustainable development risks are included in the Company's Risk Register for to take measures for their mitigation.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

In 2015, at the UN Summit, Heads of State and Governments adopted the Sustainable Development Agenda 2030, which includes 17 Sustainable Development Goals (SDGs) aimed at eradicating poverty, combating inequality and injustice, as well as addressing climate change.

KHC JSC also strives to contribute to the achievement of the SDGs within the framework of its activities. In 2020, the Sustainable Development Goals were integrated into the Company's Strategy. As part of the updated Company Development Strategy, it is planned to achieve 17 KPIs for a three-year period, of which 6 KPIs are relevant to the SDGs.

KPI	Relevant SDGs
KPI 2: Introduction of Affordable Housing to provide a sufficient number of economically affordable residential areas	№ 10 Reduced Inequality № 11 Sustainable Cities and Communities
KPI 7: Integrated Microdistrict Development to create a comfortable living environment for the population of Kazakhstan	№ 9 Industry, Innovation and Infrastructure № 11 Sustainable Cities and Communities
KPI 8: Renovation Financing of Dilapidated Housing to renovate the housing stock and increase the comfort of housing for the population of Kazakhstan	№ 9 «Industrialization, Innovations and Infrastructure» № 11 «Stable Cities and Settlements»
KPI 11: Rental Sale of Apartments for with Purchase Option to ensure housing affordability	№ 10 Reduced Inequality

KPI	Relevant SDGs
KPI 12: Construction Materials Marketplace Establishment to reduce the cost of housing construction and support Kazakhstan manufacturers of construction materials	Nº 9 Industry, Innovation and Infrastructure Nº 12 Responsible Consumption and Production
KPI 13: Repurchase of LEA Bonds to finance infrastructure projects and provide job creation	Nº 9 Industry, Innovation and Infrastructure Nº 8 Decent Work and Economic Growth Nº 11 Sustainable Cities and Communities

Initiatives aimed at achieving the SDGs and provided for in the Strategy 2023, include:

- analysis of the extent of the required renovation of dilapidated housing and organization of appropriate meetings with LEA to determine the possibility of financing dilapidated housing;
- comprehensive study of the effectiveness of the technical characteristics of the constructed social housing and the satisfaction of the population with housing purchased within the framework of state housing programs of the Republic of Kazakhstan;
- development of standards for integrated development of micro-districts;
- introduction of a rating system for evaluating private developers;
- creation of a real estate investment fund to ensure the formation of a pool of private social rental housing for LEA waiting lists within the framework of the Nurlı Zher Program.

These measures are included in the Action Plan for the implementation of the Company's Development Strategy 2021-2023.

INTERACTION WITH STAKEHOLDERS

The Company pays due attention to interaction with stakeholders to implement a successful and effective Sustainable Development Policy.

The Company's management Board developed and approved the Company' Stakeholders Map that meets international standards identifying and interacting with stakeholders to determine the list of stakeholders, levels and areas of their impact on the Company's interests.

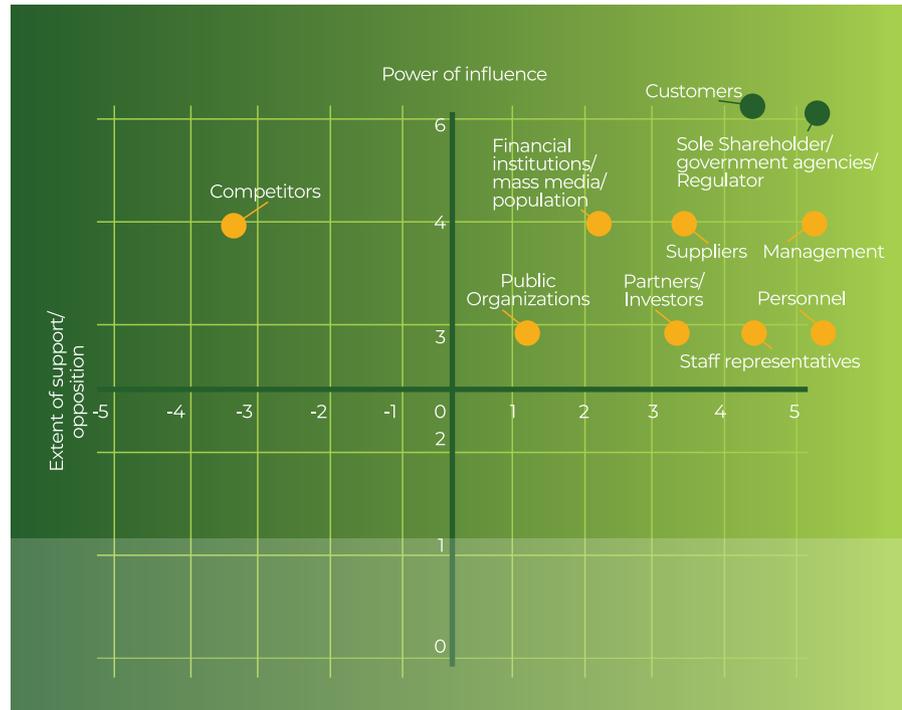
The Company defines three groups of stakeholders depending on the area of impact: the area of authority and responsibility, the area of direct impact, the area of indirect impact.

Key Stakeholder Groups

Responsibility/ Authorization area	Direct Impact area	Collateral Impact area
<ul style="list-style-type: none"> ● Sole stakeholder ● Executive body ● Management ● Personnel 	<ul style="list-style-type: none"> ● Government agencies ● The Holding ● Investors ● Financial organizations ● Suppliers ● Partners ● Customers, consumers ● Auditors ● Consulting organizations 	<ul style="list-style-type: none"> ● Population ● Non-governmental organizations; ● Mass Media ● Competitors

When assessing the relevance of stakeholders, the Company ranks stakeholders according to two factors: the level of support/opposition of a stakeholder, the assessment of the strength of his impact on the Company. Based on the received relevance assessment of stakeholders, the Company's structural divisions determine the directions of interaction with stakeholders, depending on the specifics of their activities.

Stakeholder Map



Collision strategy



The main forms of interaction with stakeholders are joint programs and projects, memoranda of cooperation, joint working groups, reporting on activities, meetings, negotiations, publications, interviews and other forms of interaction.

The Company interacts with stakeholders on such issues as strategic planning, financial activities, project management, supply of goods, works and services, lawmaking, operational activities, interaction with the media.

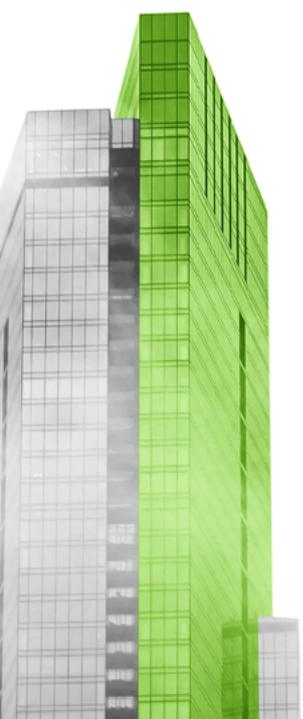
The Company's stakeholder engagement process is based on the principle of involvement, which implies taking into account the interests of stakeholders at all stages of the Company's management process and involving stakeholders in discussing significant topics and important issues, potential risks and boundaries of responsibility.

In turn, engagement is achieved by observing the following three principles:

- **relevance.** The Company clearly defines its stakeholders and understands which interests of the stakeholders are significant;
- **completeness.** In the course of its activities, the Company pays attention to the concerns of stakeholders, namely, it understands their views, needs and expected results of activities, as well as opinions on significant issues;
- **response.** The Company consistently responds to all significant questions from stakeholders.

The Company focuses its activities on the following basic principles to organize the management of relations with stakeholders:

1. respects and takes into account the interests of all stakeholders;
2. strives to actively inform target audiences about its activities;
3. provides objectivity, reliability, independence and a high level of information transparency in the implementation of state programs, certain internal procedures (procurement, competitive selection among external candidates for employment, provision of financial and non-financial services), as well as in the use of financial resources;
4. provides open and productive cooperation with all stakeholders;
5. fulfills its obligations to stakeholders;
6. receives feedback from interested parties on a regular basis.



Approaches to Interaction with Interested Parties

Sole Shareholder and government agencies

- The Company provides reliable information on the results of financial and economic activities in accordance with the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Company;
- The Company provides implementation of rights of the Sole Shareholder within the framework of corporate governance principles aimed at effective key decision-making;
- The Company provides additional information about plans, achievements, challenges of its activities, as well as research by other organizations about the Company's activities, with the exception of confidential information received from other organizations under disclosure and/or confidentiality contracts and/or agreements;
- The Company participates in international credit ratings..

Investors and Counteragents

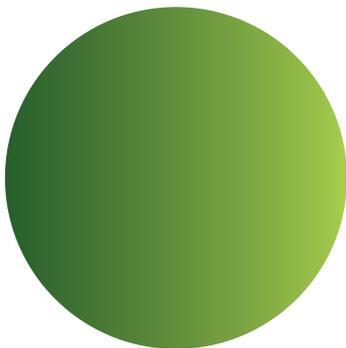
- the Company sufficiently discloses up-to-date information about the financial condition, dividend policy and credit history, as well as about the Company's development prospects;
- the Company's financial and management statements are prepared and submitted in a timely manner in accordance with legislative and regulatory requirements, while the financial statements are reviewed by independent auditors;
- information on the influence of the Sole Shareholder and other stakeholders (republican, local authorities), as well as on the procedure for monitoring and approving transactions with stakeholders is known, transparent and accessible;
- The Company implements proactive communication when making investment and strategic decisions;
- The Company faithfully fulfills its contractual obligations to business partners;
- The Company provides information transparency, openness, equality, fairness, absence of discrimination and unjustified restrictions on competition in strict accordance with the legislation of the Republic of Kazakhstan;
- The Company adheres to the principles of Corporate Governance and improvement of the Corporate Governance System in accordance with the world's leading practice.

Customers

- the Company's services are available to consumers;
- The Company provides security of consumer data and commercial information to protect them from leakage and misuse;
- The Company provides services of the same quality and provides the same level of service without discrimination to all groups of consumers;
- The Company promotes the quality improvement of services to the public, which is reflected in the improvement of the standards of service of clients;
- The Company informs its customers about new instruments and operating principles on a regular basis;
- The Company contributes to improving the financial literacy of consumers and its clients to the best of its capabilities and in accessible forms.

Employees

- The Company provides an open, transparent, Personnel Policy aimed at the creation of qualified and motivated personnel;
- The Company provides all employees with equal opportunities to realize their potential in the work process, and assesses their activities impartially and fairly;
- selection and career growth of employees in the Company are implemented exclusively on the basis of professional abilities, knowledge and skills;
- effective communication and interaction of employees is implemented through internal corporate sources of regular information to employees and channels of communication, including through the internal portal (intranet), regular study of employees opinions and suggestions, organization of working groups.



Public

- The Company effectively and promptly interacts with the public (including by organizing regular meetings (round tables, briefings, conferences);
- The Company is actively involved in the implementation of socially significant projects;
- responses to the appeals of individuals and legal entities sent to the Company are provided in a timely manner and in full;
- when conducting sponsorship and charitable activities, the Company provides assistance to vulnerable segments of the population and low-income citizens in order to revive national values, support culture, science and education.

MANAGING ECONOMIC IMPACT

The Company mission is to provide the Kazakhstan population with affordable and high-quality housing. The main activity of KHC JSC is inextricably linked with the socio-economic development of Kazakhstan and the quality of life. The Company, as an effective financial operator, implements the state policy in the field of ensuring housing affordability for the population of the Republic of Kazakhstan through a wide range of mechanisms.

Improving the efficiency of operational processes, choosing a strategy and developing a corporate governance

system have a direct impact on the movement towards this economically significant mission of KHC JSC.

At the same time, KHC JSC follows the principles of the Yellow pages rule, does not perform functions that are implemented in a sufficient volume and level in the private sector.

The Company is actively working to attract investment and popularize financial instruments both on the domestic and foreign markets,

contributing to the distribution of capital in the interests of the country's population.

GOAL: The Company mission is to provide the Kazakhstan population with affordable and high-quality housing.

FINANCIAL SUPPORT

When forming the project portfolio, the Company gives preference to projects that meet the goals of the Holding's sustainable development and have a significant impact on the sustainable socio-economic development of the Republic of Kazakhstan, including projects that contribute to:

- openness, security, resilience and environmental sustainability of cities and settlements;
- diversification of the economy of the Republic of Kazakhstan.

KHC JSC strives to apply the best international practices in the field of environmental protection and the social impact of funded projects and other activities.

Depending on the scale and nature of the impact of the financed projects on the environment and society, the Company may involve consulting, audit, research organizations, as well as individual experts on a contractual basis in order to assess and monitor the environmental and social risks of projects.

As part of the implementation of housing construction projects, the Company is guided by the building codes and regulations of the Republic of Kazakhstan. When making decisions within the framework of housing construction projects, the Company takes into account environmental and social risks, trying to minimize the negative impact on the environ-

ment and society in the construction territories. All the Company's projects at the design stage receive an environmental impact assessment. The assessment is carried out in relation to planned economic and other activities that may have a direct or indirect impact on the environment. Such an assessment contributes to the adoption of an environmentally competent management decision on the implementation of activities, allows you to determine possible adverse impacts,

environmental consequences, take into account public opinion, develop measures to reduce and prevent impacts.

The Company intends to consistently expand its participation in international initiatives in the field of sustainable development, including by joining initiatives related to the application of responsible investment practices.

WORKING WITH COUNTERPARTIES

As part of the effective management of the value chain, the Company builds work with counterparties based on the principles of sustainable development.

The Company expects from its counterparties:

- application of the environmental risk management system (environment) to identify, assess actual and possible impacts on the environment and society, identify and effectively implement appropriate management measures, monitor the level of environmental risks;
- application of a system of human resource management and ensuring (preserving) the health of employees, which should be based on respect for the rights of employees, including freedom of association and the right to conclude collective agreements. This system should ensure fair treatment of employees, the creation of safe and healthy working conditions for them, the prevention and prevention of adverse health effects;
- application of a system of fair corporate governance based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. Good corporate governance implies respect for the rights and interests of all persons interested in the organization's activities and contributes to its successful operation, including the growth of its market value, maintaining financial stability and profitability.

ANTI-CORRUPTION

KHC JSC adheres to the policy of absolute intolerance to corruption in any of its manifestations in cooperation with all interested parties and to conceal corruption offenses. In its daily activities, the Company complies with the requirements of anti-corruption legislation and takes maximum organizational and practical steps aimed at uncompromising anti-corruption in all its forms and manifestations.

In order to combat corruption and prevent corruption risks, the Company takes comprehensive measures to improve business processes and analyze factors that contribute to the commission of corruption offenses.

In particular, the Management Board approved the Anti-Corruption and Fraud Policy, which defines the main provisions of anti-corruption in the Company and the managerial and organizational bases for the prevention of corruption offenses.

As part of the formation of an anti-corruption culture, KHC JSC pays great attention to preventive and preventive work aimed at reducing corruption risks. Thus, in order to form employees' intolerance to manifestations of corruption, training and testing are conducted on an annual basis on compliance with the Law of the Republic of Kazakhstan "On Combating Corruption". The training is conducted for all employees of the Company.

In 2020, the Company's Board of Directors approved a compliance program for the reporting year, which contains measures to combat corruption and fraud, monitor compliance with legal requirements and internal documents, and form an anti-corruption culture.

In order to strengthen anti-corruption and fraud activities, an internal analysis of corruption risks in the field of procurement and sales was conducted, according to the results of which action plans were drawn up.

Telephone hotline channels and e-mail are functioning on an ongoing basis. All interested persons of Kazakhstan Housing Company JSC are given the opportunity to report their concerns regarding actual or alleged violations of legislation, regulatory requirements, as well as internal policies and procedures on corruption and ethics. At the same time, confidentiality and anonymity are guaranteed, as well as consideration of 100% of requests.

In 2020, no messages with signs of corruption and fraud were sent to the management of the Company and the Compliance Service to their e-mail addresses or through the hotline channels. Judicial acts confirming the facts of corruption offenses in the activities of the Company, its officials or employees were not issued in 2020.

SOCIAL INVESTMENTS

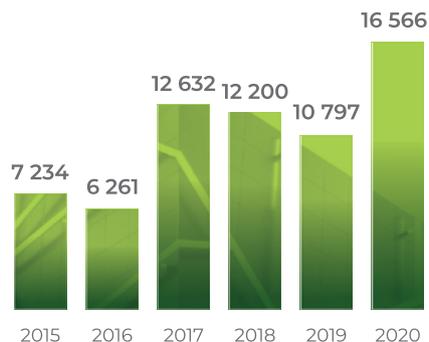
The key socially significant projects implemented by the Company are the purchase of apartments and financing of housing construction through the purchase of LEA bonds for waiting lists in all regions of the Republic of Kazakhstan.

According to the Bureau of National Statistics of the ASPIR of the Republic of Kazakhstan, the number of citizens on the waiting list in the LEA at the end of 2020 is 550,812 people with an annual increase of about 70 thousand waiting lists.

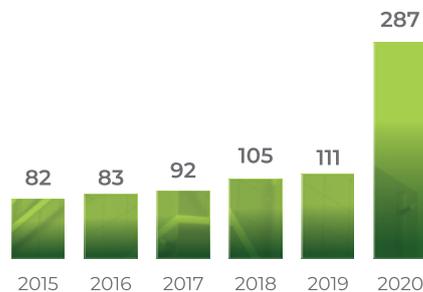
We see the need to continue this work and its significance. According to the recommendations of the Singapore Cooperation Enterprise, in order

to maintain the number of waiting lists for LEA at the current level, it is necessary to increase the volume of commissioning of affordable housing to 70 thousand apartments per year. To provide affordable housing for all waiting lists of LEA, it is necessary to increase the volume of construction of affordable housing to 124 thousand apartments per year for 10 years.

Housing for LEA waiting lists,
No of apartments



Cost of housing provided for LEA
waiting lists, KZT bln



Source: KHC JSC



PURCHASING MANAGEMENT

The Company makes the choice of goods, works and services suppliers fairly and transparently in accordance with the legal requirements of the RK and inside documents and is based on preference of better price, quality and conditions of renting goods, works and services as well as good business reputation of the counteragent.

To date, procurement is based on the following principles:

- optimal and efficient spending of money used for purchases;
- openness and transparency of the procurement process;
- providing potential suppliers with equal opportunities to participate in the procurement process;
- fair competition among potential suppliers;
- responsibility of procurement participants;
- prevention of corruption manifestations.

The authorized body has identified Mitwork LLP as one of the operators of the information system for conducting purchases, which has the intellectual property right to the Eurasian Electronic Procurement Portal, through which Baiterek NMH JSC and its

subsidiaries conduct electronic purchases.

According to the results of the purchases in 2020, 260 contracts were concluded for 421 lots of the Procurement Plan for a total amount of KZT 17.5 billion, including VAT.

The cost of purchased goods is KZT 16.3 billion, of which 99% – KZT 16 billion of funds-is accounted for the purchase of housing construction objects (apartments) on the territory of the Republic of Kazakhstan within the framework of state and/or sectoral housing programs. The legislation does not provide for the certification of the local content of these objects.

The share of local content in purchases in 2020 for works and services was 100%.

The Company is considering the possibility of including the principles of sustainable development in the relevant contracts (agreements, contracts) with partners to increase consistency with the goals of sustainable development.

MANAGING OWN ENVIRONMENTAL IMPACT

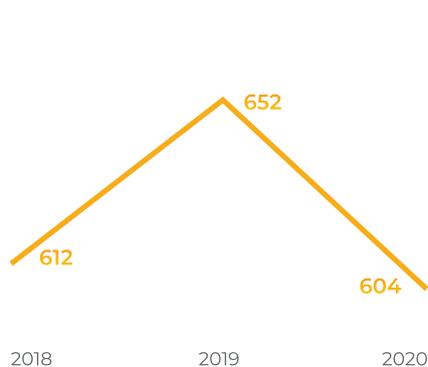
The Company's environmental management structure functions as part of an integrated enterprise management system. An integral part of the environmental management structure is the constant monitoring of environmental indicators and control of their compliance with legislative acts and internal corporate standards, as well as timely submission of reports to the authorized bodies.

Due to the nature of its activities, the Company does not have a direct significant impact on the environment, but within the framework of its activities, it strives for the careful use of resources.

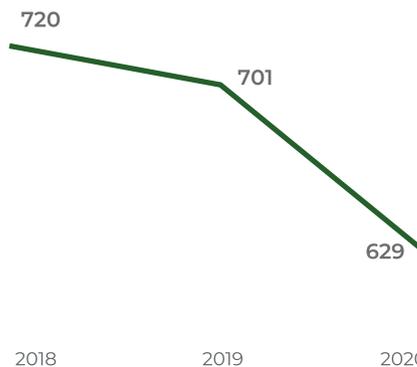
The main resources consumed by the Company are electricity, thermal energy and water resources. The Company applies the principles and

methods of rational use of resources that best ensure the prevention of adverse environmental impacts. Energy-efficient technologies are being introduced, work is underway to reduce water consumption, reduce paper consumption for office needsthrough the introduction of an electronic document management system and the practice of double-sided printing.

Power consumption, thous kWh



Heat energy consumption, Gcal

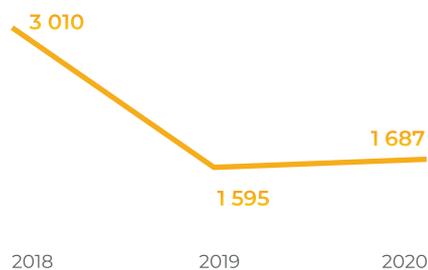


Source: KHC JSC

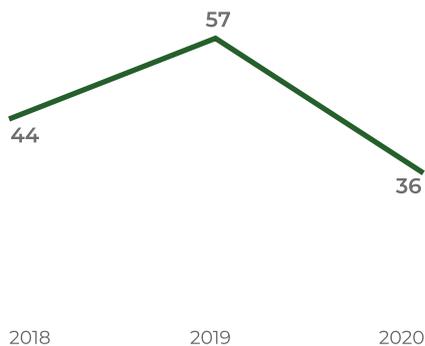
The Company is considering the possibility of introducing the concept of a “green office”, an important component of which is an information campaign aimed at increasing the level of environmental awareness of employees.

In 2020, the Company was not subject to fines and other sanctions for non-compliance with the environmental legislation of the Republic of Kazakhstan.

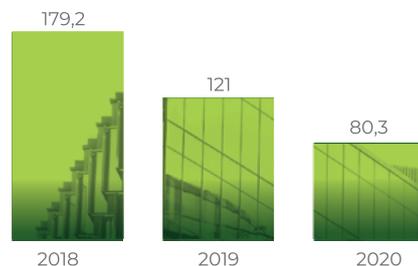
Cold water consumption, m³



Hot water consumption, Gcal



Volume of solid household waste, m³



Source: KHC JSC

PERSONNEL MANAGEMENT

Employees and their well-being are the value of KHC JSC. The results of the Company's activities and successful development within the framework of strategic priorities depend on the level of their professionalism and involvement.

The Company's personnel management policy is aimed at the formation and development of a cohesive team of professionals capable of efficiently and promptly solving the tasks set. The Company has established uniform standards for working with personnel, requirements for the processes of recruitment, training and evaluation, remuneration and social support.

The Company builds labor relations with its employees based on the principle of legality and compliance with the generally recognized labor rights of employees.

In carrying out its activities, the Company is guided by the principle of providing equal opportunities and does not discriminate against its employees when hiring, paying, providing access to training, promotion, dismissal on such grounds as gender, race, language, religious, political and other beliefs, citizenship, national or social origin, limited opportunities. In 2020, there were no cases of discrimination or infringement of the rights of employees.

The HR Department uses an extensive set of search and recruitment channels to attract the most qualified candidates.

In order to further develop and promote professional personnel, a single personnel reserve of the best employees has been created within the Company.

The increase in the level of labor productivity of employees is carried out through a fair and systematic assessment of their activities through the use of efficiency, personnel certification and motivational measures.

In order to ensure fair and competitive remuneration for work, the Company has implemented a system of grades, and regular review of salaries in the market and in a comparable industry is carried out.

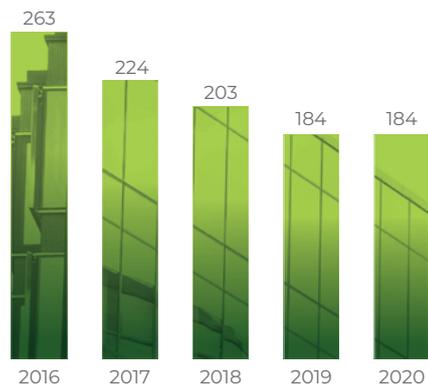
KHC JSC takes measures to ensure the proper organization of workers' work at workplaces and strives to create safe working conditions that meet the requirements of the legislation of the Republic of Kazakhstan in this area. The Company documents and investigates all incidents and problems related to occupational safety and health in order to minimize or eliminate them. The necessary training of employees in the field of occupational safety and health, including training and advanced training, is carried out.

STRUCTURE AND NUMBER OF PERSONNEL

At the end of 2020, the actual number of employees of KHC JSC was 206 people. At the same time, men and women are almost equally represented. The share of women in leadership positions is 44%, in the Management Board – 29%. The majority of the staff (72%) represents the age category from 30 to 50 years.

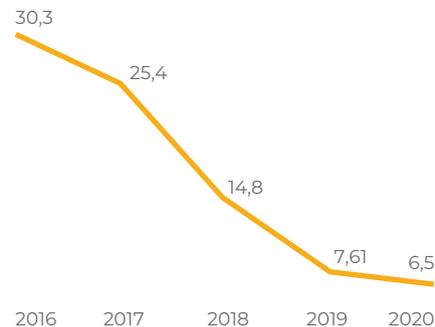
Voluntary staff turnover in 2020 was 6.5% (men – 83.4% of the total number of dismissed and women - 16.6%). The stable position of the Company and its financial stability during the quarantine measures caused by the pandemic in 2020 affected the decrease in staff turnover by 1.1 percentage points in the reporting year.

Average number of personnel, ppl



Source: KHC JSC

Staff turnover, %



Personnel Structure (in fact, as of December 31, 2020), people

Indicator		Total	Management Board	Mid-level executives	Administration staff	Including employees in the regions
Total		206	7	34	165	8
Gender groups	Male	104	5	19	80	3
	Female	102	2	15	85	5
Age groups	Under 30 years of age	39	0	0	39	0
	From 30 to 50 years of age	148	6	29	113	6
	Under 50 years of age	19	1	5	13	2

Source: KHC JSC

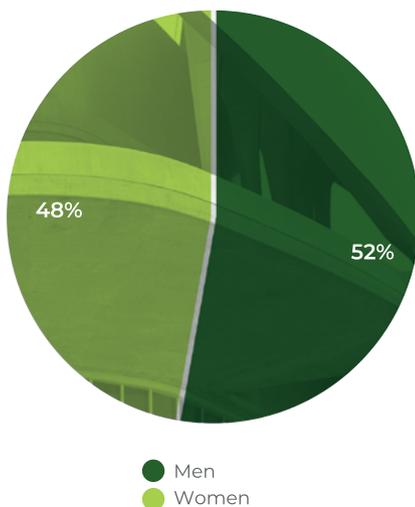


RECRUITMENT AND ADAPTATION OF PERSONNEL

The recruitment of personnel is carried out by the Company, based on the need for new employees, and is determined from the staffing number and staffing table approved in the prescribed manner, as well as the availability of vacancies and applications of heads of structural divisions.

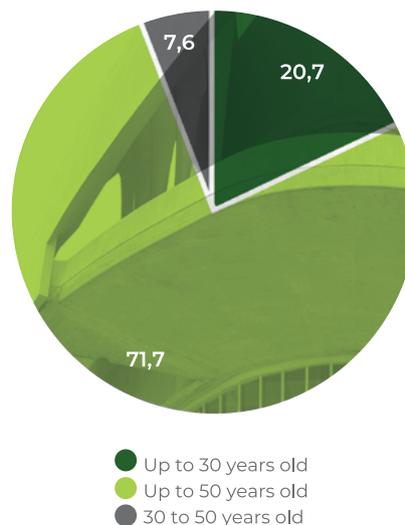
In 2020, 92 people were hired by the Company (including newly hired employees as part of the creation of a Single Housing Construction Operator). The share of employees accepted from the full-time staff was 43.8%.

Hired employees structure by gender groups, %



Source: KHC JSC

Hired employees structure by age groups



The recruitment procedure is carried out in accordance with the Rules of the Labor Regulations and the Rules for selecting candidates for vacant positions.

Basic principles of personnel selection:

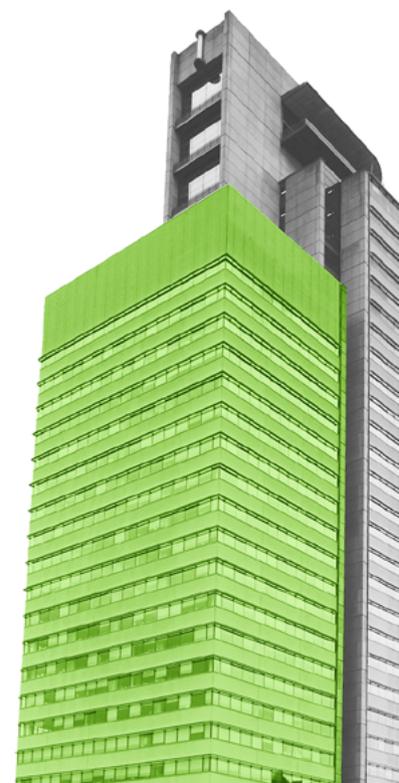
- objective and unbiased attitude to the assessment of the suitability of a particular position;
- open and fair selection;
- absence of conflicts of interest or their resolution in such a way that they do not adversely affect the Company's activities;
- avoidance and prevention of bias (personal gain, intercession, excessive familiarity, threats, etc.).

In 2020, the Company was connected to the Electronic Labor Exchange of Kazakhstan – a single digital platform for employment, job search and assistance in personnel selection.

In order to ensure the effective entry into the position of an employee, the formation of a positive image of the Company, and the reduction of discomfort in the first days of work in the Company, the adaptation of newly hired employees is carried out according to the Instructions for the adaptation of new employees.

The first stage of adaptation involves the formation of a general idea of the Company. On an ongoing basis, employees of the personnel service hold communicative meetings with newly hired employees, at which they talk about the main activities of the Company, organizational features, features of the relationship between the Company and the employee (the procedure for admission and dismissal, wages, social support), working conditions, etc.

The individual adaptation program includes a detailed introduction to the activities of the organization, the specifics of the work, the acquisition of specific skills.



EMPLOYEE POOL

In order to increase the motivation of employees in career growth and the development of professional skills and managerial competencies, based on the results of the personnel assessment (certification), the Company's employee pool is formed from among the employees recommended for enrollment in the personnel reserve.

As of 2020, the Company's employee pool consisted of 15 employees, and in 2020, 3 employees from the personnel reserve were transferred to higher positions.

REMUNERATION

The Company has implemented a salary system based on grades. The grading system allows an employee of the Company to realize the place that his position occupies in the existing hierarchy of positions, and to assess its role for the Company. This is an opportunity to receive fair remuneration for work – depending on the level of complexity, responsibility for the work performed, to assess the prospects for their professional and career growth, to consistently acquire new professional knowledge and skills necessary for effective work in a higher position.

The performance assessment is carried out on the basis of efficiency maps, taking into account the achievement of the Company's strategic goals and individual performance indicators. As part of this approach, a vertically integrated KPI structure is formed, which makes it possible to distribute responsibility for achieving strategic goals for each responsible employee.

The ratio of the average salary of women to the average salary of men by category:

- CEO – 0.82;
- specialists – 0.94.

PERSONNEL ASSESSMENT SYSTEM

Personnel assessment is performed in order to define a worker's job competence or the work done and to define the degree to which the Company workers meet the demands of their positions in accordance with the Statute of the Company Workers Attestation. The Company holds regular attestation no more often than once in 3 years. In 2020 there was no attestation.

STAFF TRAINING

The Company operates a system of continuous training and development of personnel in order to form and maintain the necessary level of qualification of employees, as well as taking into account the requirements and prospects of the Company's strategic development.

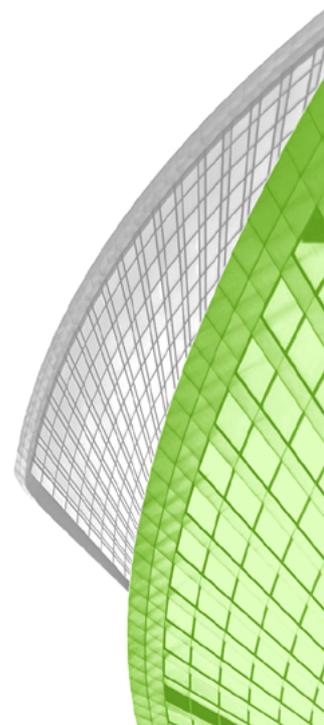
EO On an annual basis, an annual training plan is formed in accordance with the requests of the heads of the Company's structural divisions, indicating the name of the training event and the number of employees who need to be trained.

The training and professional development of the Company's employees are based on the following principles:

- compliance of the topic and content of training events with the needs determined in accordance with the official duties of the employee, the goals and objectives set for the employee;
- focus of training events on solving specific tasks that ensure increasing the efficiency of the Company's activities, studying the best corporate practices and standards;
- systematic, applied, planned nature of training and professional development;
- coverage of the maximum possible number of employees of the Company with training and professional development programs.

In order for employees to obtain theoretical and practical knowledge and skills, participation in seminars, trainings, meetings, conferences, forums, round tables, courses, on-the-job training, etc. is provided.

Upon completion of the training, the employee applies the acquired knowledge and skills in the work, which are analyzed by the manager, who gives an assessment of the success of the training. According to the results of the survey, the average score for evaluating the effectiveness of the training conducted in 2020 was 4.9. The coverage of those who completed training in the reporting year was 37.4% of the total number of employees of the Company (77 employees), including 36.4% of men (28 employees) and 63.6% of women (49 employees). The average number of training hours per employee was 16.

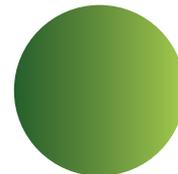


The main training programs in 2020:

- the basics of office management, taking into account the latest changes in the Republic of Kazakhstan. Document support of management (DSM); practices and recommendations. Digitization of archival documents. Business letter: types, rules of compilation and requirements for registration;
- specialized training workshop on COBIT 5: implementation and audit;
- participation in the first Kazakhstan Forum for Personnel specialists - 2020;
- features of the labor and remuneration market of Kazakhstan and the methodology of comparative research;
- nomenclature of cases and archival storage of documents;
- preparation for the international certification of Financial Risk Manager (FRM) Part I;
- application of the labor legislation of the Republic of Kazakhstan, development of negotiation skills and consensus building in labor disputes;
- occupational safety and health. Head of the Administration Department/Administrative and Economic Service; corporate governance;
- practice of developing scoring models based on logistic regression;
- POWER BI introductory course
- Comprehensive financial management and budgeting Financial management and budgeting. Basics of programming in the 1C system. Enterprise 8.3";
- overview of the changes in the IFSO. Changes in the tax legislation.

Also, during 2020, internal trainers conducted internal training of employees on the following topics:

- Rules for the procurement of goods, works, services;
- interaction with the media;
- the role of the Internal Audit Service in supporting the Company's performance;
- interaction of regional representatives with the parent organization in order to comply with risk management and internal control systems;
- fraud risks;
- sustainable development.



DEVELOPMENT OF CORPORATE CULTURE

In order to form a corporate culture, various corporate events are held in the Company. During 2020, most of the events were held online.

The following tools are used to form a corporate culture in the Company:

- confirmation of success (diplomas, letters of thanks);
- team building and development of corporate values;
- motivation (creating a favorable working mood in the team);
- increase employee satisfaction and awareness.

Due to the current situation in the country during the pandemic, 2020 was quite limited in carrying out activities aimed at developing internal communications.

Among the main focuses on internal communications, we can include the following:

- timely and complete informing of employees (on an ongoing basis, information is provided through the corporate internal portal, mailing messages, social networks, etc.);
- development of communication links between employees (conducting quizzes and competitions for employees in the online mode).

OCCUPATIONAL HEALTH AND SAFETY

The Company follows a continuous process to maintain working safety conditions: safety and labor protection instruction is conducted for newly hired employees and annually for all employees; practical and theoretical civil protection measures are held annually in the Company (civil defense and emergencies), as well as instruction of all employees on fire safety in the Company.

In order to ensure compliance with fire safety requirements, the Company has formed a fire extinguishing team as part of the Company's civil protection units, and also appointed responsible employees for compliance with fire safety standards in the Company.

Periodically, the responsible department of the Company notifies (reminds) the Company's employees about the need to comply with fire safety measures on the eve of weekends and holidays.

In 2020, planned practical exercises were held on the topic "Working out the organization of evacuation of Company employees in case of fire". In addition, according to the exercise plan, the following activities were carried out: evacuation of the Company's employees from the building at the Alarm signal; assessment of the knowledge of the Company's employees on the topics "Fire", "Self-rescue in emergency situations"; a visual demonstration of the technique of using the OU-5 fire extinguisher on a specially diluted fire source; training in the use of the GP-5 gas mask.

In 2020, no cases of injuries were recorded.

SOCIAL POLICY

The Company's social policy occupies a special place in the formation of employee motivation. KHS JSC has adopted the Rules for providing social support to employees.

The purpose of the Company's social activities is to consistently improve the quality of life of the Company's employees by providing additional benefits, providing services and making social payments.

Within the framework of these areas, the Company implements the following social guarantees and measures:

- health protection and creation of safe, comfortable sanitary and living conditions in the workplace for employees;
- health insurance of employees;
- providing financial assistance to employees.

In 2020, more than 200 employees were attached to voluntary medical insurance as part of social support, and 18 employees were provided with financial assistance.

During the pandemic and quarantine, the Company carried out a number of measures aimed at reducing the level of morbidity of employees. In order to protect the health and safety of work, most of the employees were transferred to a remote working mode.

At the expense of the Company, the employees have undergone the PCR testing. In the offices of Almaty and Nur-Sultan, the safety of the working environment has been ensured; all established sanitary standards have been observed in the pandemic conditions.

The employee's rights in terms of the social component, including issuing notifications, are observed in accordance with the norms of labor legislation.

Since 2008, the Company has a Collective Agreement. The procedure for familiarizing newly hired employees with the terms of the Collective Agreement is carried out when hiring. In order to protect the labor rights of employees or the employer on a parity basis, a conciliation commission has been established in the Company. In 2020, there were no appeals to the conciliation commission.

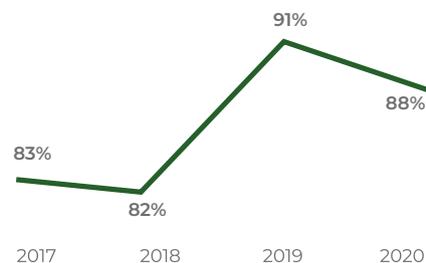
Statistics of maternity/paternity leave

Number of employees who took parental leave in 2020	16 ppl.
Number of employees who returned to work in the reporting year after the end of parental leave	7 ppl
Number of employees who returned to work after the end of parental leave in the previous period, who were still working 12 months after their return to work	6 ppl.

EMPLOYEE SATISFACTION AND ENGAGEMENT RESEARCH

Study of the involvement and satisfaction of employees of Baiterek NMH JSC and all its subsidiaries is conducted annually with independent consultants of Ernst & Young Kazakhstan LLP involved. The study is conducted using an electronic questionnaire. The level of satisfaction and involvement of the Company's staff in 2020 was 88% (above average). Company demonstrated the highest value of overall engagement and satisfaction among the indicators in the Holding group of companies.

Employee Engagement and Satisfaction Index



Source: KHC JSC

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE SYSTEM

The Company is guided by the principles of corporate governance defined by the Corporate Governance Code of Kazakhstan Housing Company JSC.

Corporate governance is understood as a set of processes that ensure the management and control of the Company's activities and include relations between shareholders, the

Board of Directors, the Management Board and other bodies of the Company, and concerned parties in the interests of shareholders.

- The highest authority is **the Sole Shareholder**. The sole shareholder is authorized to make decisions on issues determined by the legislation of the Republic of Kazakhstan, the provisions of the Company's charter and its internal documents. The sole shareholder of Kazakhstan Housing Company JSC is Baiterek National Managing Holding JSC.
- **Board of Directors** performs general management of the Company's activities, as well as control over the activities of the executive body, with the exception of issues referred to the exclusive competence of the Sole Shareholder.
- **Management Board** is the executive body that manages the current activities of the Company.
- **Internal Audit Service** provides control over financial and economic activities, assessment in the field of internal control, risk management, execution of documents in the field of corporate governance and consulting in order to improve the Company's activities. The Internal Audit Service reports directly to the Board of Directors.

The Company considers corporate governance as a means of increasing the efficiency of the Company's activities, strengthening its reputation and reducing the cost of raising capital.

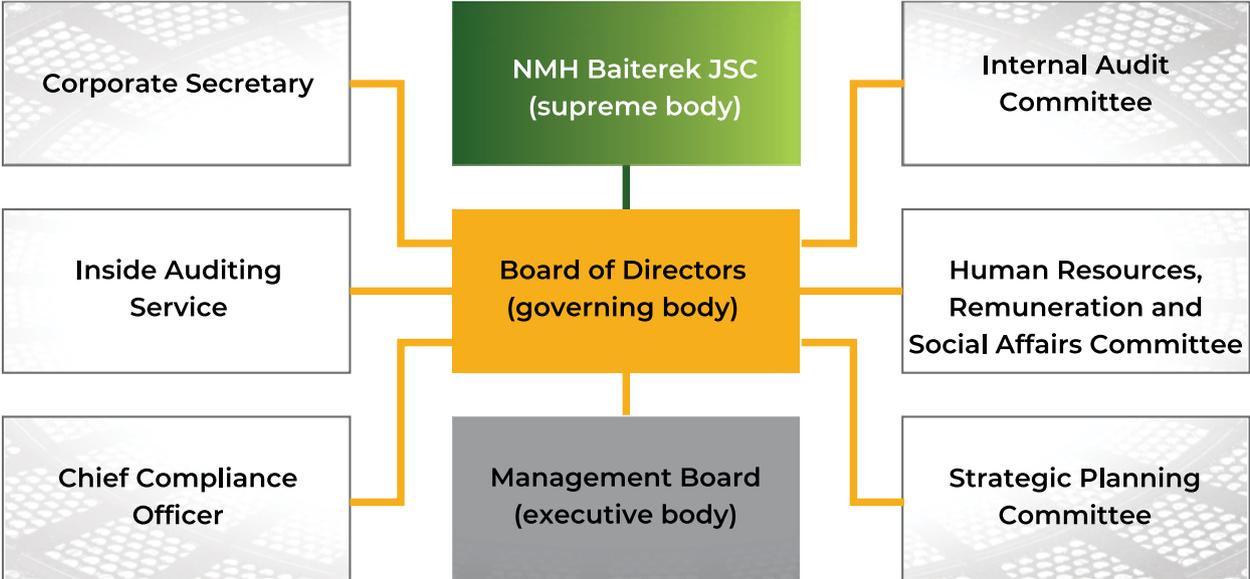
Corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence.

The principles of corporate governance are aimed at creating trust in relations arising in connection due to the management of the Company, and are the basis of all rules and recommendations. Fundamental principles of corporate governance are the following:

- principle of powers delineation;
- principle of protecting the rights and interests of the Sole Shareholder;
- principle of effective management of the Board of Directors and the Management Board;
- principle of sustainable development;
- principle of risk management, internal control and internal audit;
- principle of regulating corporate conflicts and conflicts of interest;
- principles of transparency and objectivity of information disclosure about the Company's activities.

In 2020, all the provisions and principles of the Corporate Governance Code were fully observed. A detailed Report on compliance with the Corporate Governan Code will be published in July 2021.

COMPANY'S MANAGEMENT STRUCTURE



SOLE SHAREHOLDER

The Company's sole shareholder is Baiterek National Managing Holding JSC which owns 100% of the voting shares of the Company as of January 1, 2021.

In 2020, the Company received 13 orders, which were executed and accepted for work.

The key instructions of the Sole Shareholder concerned the reorganization of "MO "Kazakhstan Mortgage Company" JSC by joining Housing Construction Guarantee Fund JSC and Baiterek Development JSC and changing the name of "MO "Kazakhstan Mortgage Company" JSC to Kazakhstan Housing Company JSC

BOARD OF DIRECTORS

MEMBERSHIP OF THE BOARD OF DIRECTORS

Zhanke Timur Amantayuly

Chairman of the Board of Directors

Year of Birth: 1977

Citizenship: The Republic of Kazakhstan

Other positions held:

Managing Director-Member of the Management Board of Baiterek NMH JSC (since May, 2019)

Career History:

Department of Tourism of the Akim's Office of Almaty City (1999-2001); Ministry of Industry and Trade of the Republic of Kazakhstan (2001-2002); NC KazMunayGas CJSC (2002-2003); NC KazMunayGas JSC (2003-2007); KazMunayGas-Service Compass LLP (2007-2014); Akimat of Zhambyl region (10.2014 - 04.2019); Member of the Management Board of Baiterek NMH JSC (since May, 2019); Chairman of the Board of Directors of "MO "Kazakhstan Mortgage Company" JSC (since 13.06.2019).

Education:

higher education (economics).

Al-Farabi Kazakh National University, Major - "International Relations";

Satpayev Kazakh National Technical University, Major - "Development of oil and gas fields";

Maastricht School of Management MSM, the Netherlands, Master of Business Administration (MBA)

No shares of suppliers and competitors of the Company

Yelemesov Askar Raushanuly

Independent Director- Member of the Board of Directors

Year of birth: 1968

Citizen of the Republic of Kazakhstan

Career History:

Deputy Chairman of the National Bank of the Republic of Kazakhstan (02.2004 – 02.2006), Vice-Minister of Finance of the Republic of Kazakhstan (02.2006 – 11.2006); Deputy Chairman of the Management Board of Halyk Bank of Kazakhstan JSC (12.2006 – 02.2007), Adviser to the Chairman of the Management Board of Halyk Bank of Kazakhstan JSC (02.2007 – 04.2008), Chairman of the Board of Directors of Troika Dialog Kazakhstan JSC (since 08.2008), Independent Director – Member of the Board of Directors of KazAgro National Managing Holding JSC (since 02.06.2016), Chairman of the Board of Directors – Independent Director of SkyBridge Invest JSC (since 09.2016), Independent Director – Member of the Board of Directors of Kazkommertsbank JSC (07.2017 – 06.2018), Independent Director – Member of the Board of Directors of MO “Kazakhstan Mortgage Company” JSC (since 03.2019), Independent Director – Member of the Board of Directors of the Entrepreneurship Development Fund “Damu “(since 06.2018).

Education:

higher (economic).

Lomonosov Moscow State University (1990), Major - “Political Economy”;

University of Washington, Master's degree (1994), Major - “Business Administration”.

No shares of suppliers and competitors of the Company.

Source: KHC JSC

Tokobayev Nurlan Tursunbekovich

Independent Director- Member of the Board of Directors

Year of Birth: 1974

Citizenship: The Republic of Kazakhstan

Career History:

Currently, he is a member of the Board of Directors – Independent Director of Kazakhstan Project Preparation Fund LLP and Optima Bank OJSC (Kyrgyzstan). Previously, he worked in various positions in the National Bank of the Republic of Kazakhstan, Director of the Securities Market and Pension Funds Regulation Department of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations, Adviser to the Chairman of the Board of Astana-Finance JSC, Chairman of the Board of Credit-Standard Commercial Bank JSC (Uzbekistan), Chairman of the Board of Directors of Credit-Standard Commercial Bank JSC (Uzbekistan), Independent Director of Visor Capital JSC, Independent Director of Advance Bank of Asia (Cambodia).

Education:

higher education (economics).

Ryskulov Kazakh State Academy of Management (Almaty)

No shares of suppliers and competitors of the Company

Mukhamedzhanov Adil Bektasovich

Member of Board of Directors

Year of Birth: 1981

Citizen of the Republic of Kazakhstan

Career History:

In September 2016, he was appointed Chairman of the Company's Management Board. Previously, he held positions in KazTransOil JSC; Member of the Board of Directors of Caspian Energy Inc, AsiaCredit Bank JSC; Vice-President of Aral Petroleum Capital LLP; Chairman of the Management Board of Open Accumulative Pension Fund "Otan" JSC.

Education:

higher (economic).

University of Nottingham (United Kingdom);

Ryskulov Kazakh Economic University (Almaty);

Booth Business School at the University of Chicago (USA), Executive MBA degree.

No shares of suppliers and competitors of the Company

Suentayev Damir Serkbayevich

Independent Director- Member of the Board of Directors

Year of birth: 1984

Citizen of the Republic of Kazakhstan

Career History:

National Welfare Fund “Samruk-Kazyna” JSC, “Entrepreneurship Development Fund “Damu” JSC, “Export Credit Insurance Corporation “KazExportGarant” JSC, “NC “Kazakhstan Engineering” JSC, “Kazagromarketing” JSC (“NMH “KazAgro” JSC), “Union of Machine Builders of Kazakhstan” JSC; Member of the Board of Directors - Independent Director, Chairman of the Audit Committee of “National Company “KazakhExport” JSC; Member of the Board of Directors – Independent Director of “Passenger Transportation” JSC (“NC “KTZ” JSC); Member of the Board of Directors – Independent Director of “MO “Kazakhstan Mortgage Company” JSC (since 09.2019).

Education:

higher education.

Kazakh State Law Academy;

Kazakh University of Economics, Finance and International Trade;

Russian Presidential Academy of National Economy and Public Administration, MBA.

No shares of suppliers and competitors of the Company

Salykov Olzhas Zhandosovich

Member of the Board of Directors

Year of Birth: 1990

Citizen of the Republic of Kazakhstan

Other positions held:

Director of the Housing and Construction Assets Management Department of Baiterek NMH JSC

Career History:

Baiterek NMH JSC, Center for Analysis and Monitoring of projects of National Agency for Technological Development JSC, Department of Inter-Parliamentary Relations and International Cooperation of the Senate of the Parliament of the Republic of Kazakhstan, Department of Housing and Construction Assets Management of Baiterek NMH JSC, Member of the Board of Directors of “MO “Kazakhstan Mortgage Company” JSC (since 2019).

Education:

higher (economic).

Gumilyov Eurasian National University, Faculty of International Relations, Bachelor's degree;

Gumilyov Eurasian National University, Faculty of Economics, Master of Finance;

Lomonosov Moscow State University, Faculty of Economics, MBA.

No shares of suppliers and competitors of the Company

MEMBERSHIP OF THE BOARD OF DIRECTORS

The Sole Shareholder elects the members of the Board of Directors in the manner determined by the legislation of the Republic of Kazakhstan, the charter and internal documents of the Company, taking into account the competencies, skills, achievements, business reputation and professional experience of the candidates.

In 2020, there were no changes in the membership of the Board of Directors.

INDEPENDENCE OF THE DIRECTORS

Requirements for independent directors are established in accordance with the legislation of the Republic of Kazakhstan, the charter and internal documents of the Company.

According to the Law of the Republic of Kazakhstan on “Joint-Stock Companies”, independent directors:

- are not affiliated persons of the Company and have not been them within three years preceding their election to the Board of Directors and are not affiliated persons in relation to affiliated persons of the Company;
- are not subordinated to officials of the Company or affiliated organizations of the Company and have not been subordinated to these persons during three years preceding their election to the Board of Directors;
- are not government employees;
- are not representatives of the Sole Shareholder at meetings of the Company’s bodies and have not been representatives during the three years preceding their election to the Board of Directors;
- do not participate in the audit of the Company as auditors operating as part of an audit organization, and did not participate in such an audit during three years preceding their election to the Board of Directors.

CONFLICT OF INTEREST MANAGEMENT

The members of the Board of Directors are obliged to act in the interests of the Company and its Sole Shareholder in good faith, reasonably and fairly, observing the requirements contained in the legislation of the Republic of Kazakhstan, the moral principles of the Company, as well as the norms of business ethics established by the internal documents of “KHC” JSC.

Members of the Board of Directors are obliged to immediately inform the Chairman of the Board of Directors about any personal commercial or other interest (direct or indirect, real or possible) in transactions, contracts, projects related to the Company, in accordance with the procedure provided for by the Company's internal documents, as well as about the

occurrence of affiliation and other circumstances.

Members of the Board of Directors are obliged to refrain from actions that may lead to a conflict of interests, and from making decisions on issues on which there is a conflict of interests.

In 2020, no conflicts of interest were recorded.

COMMITTEES UNDER THE BOARD OF DIRECTORS

There are three committees under the Board of Directors:

- Strategic Planning and Corporate Development Committee;
- Audit and Risk Management Committee;
- HR, Remuneration and Social Affairs Committee.

Strategic Planning and Corporate Development Committee

is a permanent advisory body of the Board of Directors for making recommendations on the priority areas of activity and strategic goals of the Company, including issues on the development of measures that contribute to improving the efficiency of the Company's activities in the medium and long term.

Membership of the Strategic Planning and Corporate Development Committee as of January 1, 2021:

- Yelemesov A. R. (Chairman of the Committee)
- Suentaev D. S. (Member of the Committee)
- Salykov O. Zh. (Member of the Committee)
- Tokobayev N. T. (Member of the Committee)

Audit and Risk Management Committee is a permanent advisory body of the Board of Directors. The Committee's activities are aimed at improving the efficiency and quality of the work of the Board of Directors by preparing recommendations on establishing an effective system of control over the Company's financial and economic activities (including the completeness and reliability of financial statements), monitoring the reliability and effectiveness of internal control and risk management systems, as well as the execution of documents in the field of corporate governance, monitoring the independence of external and internal audit.

Membership of the Audit and Risk Management Committee as of January 1, 2021:

- Tokobaev N.T. (Chairman of the Committee)
- Suentaev D. S. (Member of the Committee)
- Salykov O. Zh. (Member of the Committee)
- Yelemesov A.R. (Member of the Committee)

The HR, Remuneration and Social Affairs Committee

is a permanent advisory body of the Board of Directors created to improve the efficiency and quality of the Board of Directors through in-depth study and monitoring of issues related to the competence of the Board of Directors in the field of personnel policy, the system of appointments and remuneration, as well as evaluating the performance of members of the Board of Directors, members of the Management Board, the Chief Compliance Controller, and the Corporate Secretary.

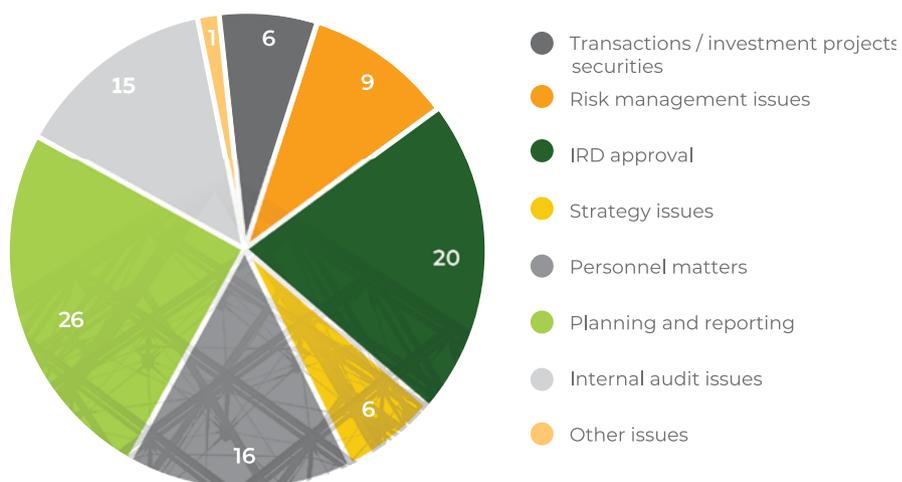
Membership of the HR, Remuneration and Social Affairs Committee as of January 1, 2021:

- Suentaev D. S. (Chairman of the Committee)
- Tokobayev N. T. (Member of the Committee)
- Salykov O. Zh. (Member of the Committee)
- Yelemesov A.R. (Member of the Committee)

ACTIVITIES OF THE BOARD OF DIRECTORS

In 2020, 14 meetings of the Board of Directors were held (11 in person and 3 in absentia) and 99 issues were considered.

Number of issues considered by the Board of Directors in 2020



Source: «KHC»

Key issues considered by the Board of Directors in 2020

Risk management and internal control:

- report and plan of corrective and/or preventive actions of the Internal Audit Service were approved based on the results of the audit of information technologies in “MO “Kazakhstan Mortgage Company” JSC;
- report on the assessment of the activities of the Board of Directors and the committees of the Board of Directors of “MO “Kazakhstan Mortgage Company”
- JSC for 2019 was approved, followed by informing the Sole Shareholder;
- passports of key risk indicators of the Company for 2020, as well as target levels and limits for the components of risk appetite and the matrix of business processes, risks and controls of the Company were approved for 2020;
- the report on the Internal Audit Service's activities was approved.

Transactions and securities:

- number of authorized shares of “MO “Kazakhstan Mortgage Company” JSC was increased;
- changes in prospectuses of the sixteenth (ISIN KZ2C00004356) and seventeenth (ISIN KZ2C00004349) bond issues of “MO “Kazakhstan Mortgage Company” JSC were approved;
- amendments to the Investment and Borrowing Policy of “MO “Kazakhstan Mortgage Company” JSC were approved;
- information on securitization of the mortgage portfolio transaction of “MO “Kazakhstan Mortgage Company” JSC by assigning rights of claim for mortgage loans and the acquisition of bonds of the junior tranche was considered;
- conditions for the issue of bonds of “MO “Kazakhstan Mortgage Company” JSC and the issue of bonds in the amount of KZT 2.9 billion were determined;
- an increase in the liabilities of “MO “Kazakhstan Mortgage Company” JSC by an amount of ten or more percent of the equity capital was approved by attracting a loan for the total amount of 3 billion Russian rubles;
- the liabilities of “MO “Kazakhstan Mortgage Company” JSC were increased by an amount equal to ten or more percent of the equity capital, by issuing bonds in the amount of KZT 100 billion.

Planning and reporting:

- preliminary consideration of the annual financial statements of “MO “Kazakhstan Mortgage Company” JSC for the year ended December 31, 2019, the procedure for distributing net income for

the past financial year, payment of dividends on ordinary shares and determining the amount of dividend per one ordinary share at the end of 2019

- information on the appeals of the Sole Shareholder to the actions of “MO” Kazakhstan Mortgage Company “ JSC and its officials, the amount of remuneration to members of the Board of Directors and the Management Board of “MO “Kazakhstan Mortgage Company” JSC was considered;
- the report of the Management Board of “MO” Kazakhstan Mortgage Company “ JSC at the end of 2019 and the report on KPI of the members of the Management Board and payment of remuneration to the members of the Management Board of “MO “Kazakhstan Mortgage Company” JSC following the results of work for 2019 were approved.

Reorganization and strategy:

- reorganization of “MO “Kazakhstan Mortgage Company” JSC by merging “Housing Construction Guarantee Fund” JSC and Baiterek Development JSC was preliminarily approved with subsequent submission to the Sole Shareholder for consideration. The charter of “MO “Kazakhstan Mortgage Company” JSC was approved in a new edition with a change in name from “MO “Kazakhstan Mortgage Company” JSC to Kazakhstan Housing Company JSC;
- new members of the Management Board of “MO “Kazakhstan Mortgage Company” JSC were elected. Membership of the Management Board was increased to 7 people. The term of office of the Management Board was determined for 3 years from November 24, 2020;
- The Development Strategy of the Company for 2021–2023 was approved.

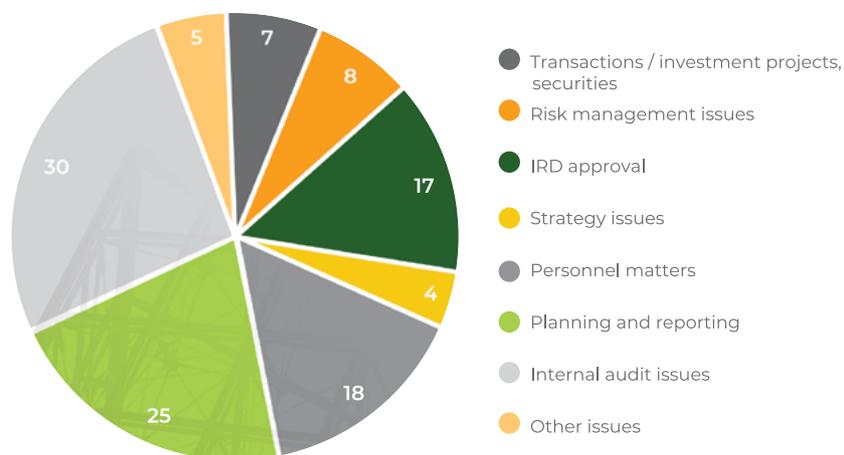
Attendance at meetings of the Board of Directors

Member of the BoD	Period of powers of a member of BoD	Number of BoD meetings held	Number of BoD meetings attended	Total attendance rate
Zhanke T.A.	whole year	14	14	100
Yelemesov A.R.	whole year	14	14	
Tokobayev N.T.	whole year	14	14	
Suentayev D.S.	whole year	14	14	
Mukhamedzhanov A.B.	whole year	14	14	
Salykov O. Zh.	whole year	14	14	

ACTIVITIES OF THE COMMITTEES OF THE BOARD OF DIRECTORS

31 meetings of the committees of the Board of Directors were held (11 meetings of the Strategic Planning and Corporate Development Committee, 9 meetings of the Audit and Risk Management Committee and 11 meetings of the HR, Remuneration and Social Affairs Committee). 118 issues were considered.

Number of issues considered by the Committees under the Board of Directors in 2020



Board of Directors Committees Meetings Attendance

Member of the BoD Committee	Period of powers of a member of the BoD Committee	Number of meetings of the BoD Committees held	Number of meetings of the BoD Committees attended	Total attendance rate
Yelemesov A.R.	whole year	31	31	100%
Tokobayev N.T.	whole year	31	31	
Suentayev D.S.	whole year	31	31	
Salykov O.Zh.	whole year	31	31	

ASSESSMENT OF THE BOARD OF DIRECTORS

In 2020, the work of the Board of Directors and Committees for 2019 was assessed. The assessment was carried out by internal forces, using a questionnaire method. The final average score for assessing the work of the Board of Directors was 3.78 (on a 4-point scale). Members of the Board of Directors carry out their assigned tasks responsibly, are very interested in high performance results, and are quite critical in their approaches and assessments. At the same time, the members of the Board of Directors expressed a number of wishes that will be taken into account in further work on the development of the work of the Board of Directors.

The Board of Directors annually provides the Sole Shareholder with information on the results of the evaluation.

REMUNERATION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS

The current policy of Baiterek NMH JSC and KHC JSC does not provide for the payment of remuneration to members of the Board of Directors who are representatives of the Sole Shareholder and the Management Board.

Remuneration to independent members of the Board of Directors is carried out in the following form:

- annual fixed remuneration;
- additional remuneration for participation in meetings of committees under the Board of Directors.

The amount of remuneration of independent directors for 2020 amounted to KZT 17.1 million (before taxes and other mandatory deductions).

Independent directors are also compensated for expenses related to travel to meetings of the Board of Directors held outside the place of permanent residence of independent directors (travel, accommodation).



INFORMATION ABOUT THE ACTIVITIES OF THE CORPORATE SECRETARY

In 2020, the activities of the Corporate Secretary of the Company mainly consisted in the formation and submission of materials on the agenda items for preliminary consideration by the Committees and subsequent consideration (approval) by the Board of Directors.

In general, the work of the Company's Corporate Secretary in 2020 was carried out in full-according to the functions established by the Company's internal documents, aimed at fully ensuring the work and high-quality

interaction of the committees, the Board of Directors, members of the Board of Directors, the Sole Shareholder, the Management Board, and structural divisions of the Company.

PLANS FOR FURTHER DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM

An independent assessment of the Company's corporate governance is planned for 2021.

In accordance with the Corporate Governance Code, "KHC" JSC conducts an independent assessment of corporate governance at least once every three years, the results of which are posted on the Internet resource. The assessment is carried out in accordance with the requirements of the Methodology for diagnosing corporate governance in legal entities with more than fifty percent of the voting shares directly or indirectly owned by Baiterek NMH JSC, which is an Annex to the Standard Rules for the Organization of Internal Audit at Subsidiary Baiterek NMH JSC.

The Company's methodology, approved on the basis of the above-mentioned standard IRD, stipulates that "Company's division in charge of corporate governance issues or other divisions of the Company, by order of the Chairman of the Management Board of the Company, can independently or with the involvement of a third-party organization carry out diagnostics of corporate governance in the Company, including for confirmation of assessments obtained during diagnostics by the internal audit departments of the Company".

The results of this assessment will form the basis of the action plan for the further development of the corporate governance system in the Company.

MANAGEMENT BOARD

The Executive Management Committee is the Company's executive body

The Management Board is the executive body of the Company.

The Management Board is accountable to the Board of Directors, as well as to the Sole Shareholder and manages the operational activities of the Company; is responsible for the implementation of the development strategy, development plan and decisions adopted by the Board of Directors and the Sole Shareholder.

The Management Board has the right to make decisions on any issues of the Company's activities that are not referred by the legislation of the Republic of Kazakhstan and the Company's charter to the competence of other bodies and officials of the Company.

Meetings of the Management Board are held regularly, and decisions are made by absentee voting of the members of the Management Board as necessary. When considering each issue, a separate discussion is devoted to the risks associated with making / not making a decision, and their impact on the Company's profitable activities. Issues submitted to the Board of Directors and the Sole Share-

holder for consideration are previously considered and approved by the Management Board in accordance with the Company's charter.

In 2020, 107 meetings of the Management Board were held, including:

- 97 in-person - 428 agenda items;
- 10 in absentia – 30 agenda items.

In total, the Executive Management Committee considered and made decisions on 458 questions.

In total, the Management Board considered and made decisions on 458 agenda items.

In 2020, the Company did not have any major transactions or related-party transactions.

MEMBERSHIP OF THE MANAGEMENT BOARD

Mukhamedzhanov Adil Bektasovich

Chairman of the Management Board.

Performs general management of the Company, coordination of the Compliance Control Service and the Risk Management Department.

Born in 1981. Resident of the Republic of Kazakhstan.

Education:

In 2002, he graduated from the T. Ryskulov Kazakh Economic University with a degree in “Economist-financier”. In 2013, he graduated from the University of Nottingham (Great Britain) with a degree in Financial Accounting and Management; in 2018, he graduated from the Booth Business School at the University of Chicago (USA), EMBA degree.

Career history:

From 2004 to 2011-Vice-President of “Aral Petroleum Capital” LLP, Member of the Board of Directors of “Caspian Energy Inc” PLS Canada. From September 2010 to December 2011-Chairman of the Management Board of “ONPF “Otan” JSC. From 2008 to 2016-Member of the Board of Directors of “AsiaCredit Bank” JSC . Since 2016-Chairman of the Management Board of “Kazakhstan Housing Company” JSC.

No shares of suppliers and competitors of the Company



Zhusupov Mazhit Galymzhanovich

Deputy Chairman of the Management Board.

Coordinates the activities of the Treasury and Asset Securitization Department, the Sales Department and the Customer Service.

Born in 1983. Resident of the Republic of Kazakhstan.

Education:

In 2004, he graduated from the Al-Farabi Kazakh National University (KazSU), Faculty of Economics and Business, Major - "Information Systems in Economics".

Career history:

He started his career in 2004 as an Analyst at the Center for System Studies of Economic Policy at the Institute of Economic Research under the Ministry of Economy and Budget Planning of the Republic of Kazakhstan. 2005 - 2007, he worked for Nurbank JSC, where he built a career from a specialist to the head of the Sales Department. 2007 - 2008, he held the position of Financial Director of Aktau Real Estate LLP. 2008-2010, he held various managerial positions in BTA Bank JSC. 2010 - 2011, he worked as a director of Department in Astana-Finance JSC. 2011 - 2016-Managing Director-Member of the Management Board of "AsiaCredit Bank" JSC. 2016 - 2018-Chairman of the Management Board of "Life Insurance Company Asia Life" JSC. Since December 2018, he has been elected a member of the Management Board and appointed Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company

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Dykanbayeva Assel Maratovna

Deputy Chairman of the Management Board.

Coordinates the activities of the Head of Legal Support, the Department of Information Technology and the Department of Methodology and Business Processes.

Born in 1979. Resident of the Republic of Kazakhstan.

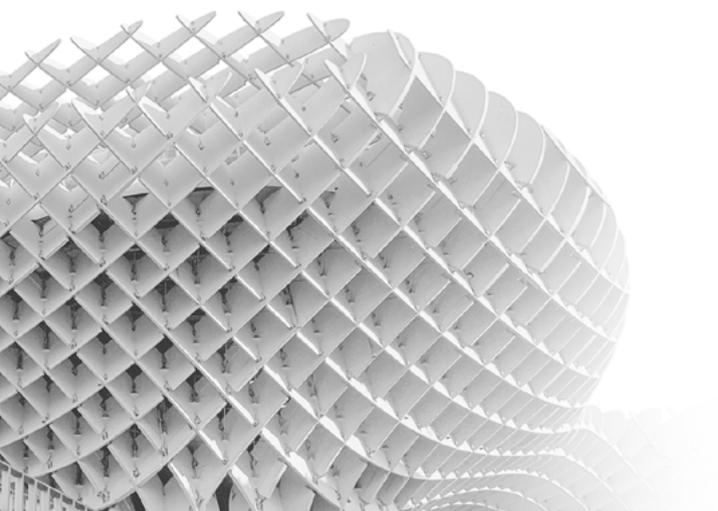
Education:

In 2000, she graduated from the Kazakh State Academy of Management (Almaty) with a degree in Economics. In 2015 - Hopkins University (Washington), Master of Applied Economics.

Career history:

She started her career in 2000. 2003 - 2009 – Chief Specialist, Head of the Department, Head of the Department of “BTA Bank” JSC. 2009 - 2014 – Head of the Department, Managing Director-Member of the Management Board of AsiaCredit Bank JSC. 2016 - 2017 – Financial Director of AB Legal LLP. February to May 2017 – Managing Director of “Kazakhstan Housing Company” JSC. In May 2017, she was elected a member of the Company’s Management Board and appointed Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company



Userbayev Askarbek Anuarbekovich

Deputy Chairman of the Management Board.

Coordinates the activities of the Department of Real Estate Management, the Department of Investment Projects, the Department of Technical Monitoring and Regional Activities.

Born in 1965. Resident of the Republic of Kazakhstan.

Education:

In 1991, he graduated from the Al-Farabi Kazakh State University, Faculty of History. In 2001, he graduated from the Eurasian Market Institute.

Career history:

1991 - 1992, he was a history teacher at the boarding school No. 15 in Almaty. 1992 - 1993 – a leading specialist in the NGO "Peace Foundation of the Republic of Kazakhstan". 1994 - 2002 – General Director at KMK "Astana-Motors". 2002 - 2006-Managing Director at Halyk Bank of Kazakhstan JSC. 2006 - 2010-Deputy General Director at Mercury LLP. 2016 - 2020-Deputy Chairman of the Management Board of Baiterek Development JSC. In August 2020, he was appointed Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company.

Zharylkapov Dulat Almasovich

Deputy Chairman of the Management Board.

Coordinates the Guarantee Department and the Collateral Department.

Born in 1989. Resident of the Republic of Kazakhstan.

Education:

In 2010, he graduated from the Kazakh Humanitarian Law University with a degree in Jurisprudence. He holds degrees in Economics, Bachelor of Engineering and Technology, Master of State and Municipal Administration of the Russian Presidential Academy of National Economy and Public Administration.

Career history:

Since 2012, he has held a number of senior positions in private structures. In 2017, he headed the Committee on State Material Reserves of the Ministry of Defense and Aerospace Industry of the Republic of Kazakhstan as the General Director of the RSE "Reserve". In 2018 – Managing Director of Baiterek Development JSC. In 2019-Chairman of the Management Board of "Housing Construction Guarantee Fund" JSC. In November 2020, he was elected a member of the Management Board and appointed Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company



Kuzdibayev Altay Shokanovich

Deputy Chairman of the Management Board.

Coordinates activities of the Department of Analysis and Strategy, the Department of Financial Planning and the Project Office.

Born in 1985. Resident of the Republic of Kazakhstan.

Education:

In 2005, he graduated from the Lomonosov Moscow State University, majoring in International Economics. In 2007, he received a Master's degree in Management from Lomonosov Moscow State University.

Career history:

2008 - 2009 – Chief Specialist of the Department for the Development of International Subsidiaries in “Halyk Bank of Kazakhstan” JSC. 2009 - 2012 – Head of the Financial Planning and Service Development Department of First Credit Bureau LLP. 2012 - 2013-Deputy Chairman of the Management Board of “State Credit Bureau” JSC. In 2013, he was appointed Managing Director-Member of the Management Board of Baiterek Development JSC. Since January 2015-Deputy Chairman of the Management Board of Baiterek Development JSC. Since August 2020-Deputy Chairman of the Management Board of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company

Sagimkulova Bella Don-Irovna

Financial Director.

Coordinates the activities of the Accounting Department, the Accounting and Payment Processing Department and the Administration Department.

Born in 1973. Resident of the Republic of Kazakhstan.

Education:

In 1997, she graduated from Almaty State University (Almaty) with a degree in “Economist-financier”. In 2009 - “Center for training, retraining and advanced training of financial system specialists” JSC.

Career history:

2001 - 2004 - Chief Specialist, Head of the Department for Administration of Large Taxpayers of the Office for Administration and Monitoring of Large Taxpayers, Head of the Department for Code and Analysis of Tax Reporting of the Office for Electronic Monitoring and Transfer Pricing, Tax Committee under the Ministry of Finance of the Republic of Kazakhstan. 2005 - 2007 – Head of the Budget Planning Department of the Planning and Methodology Department, Head of the Budgeting Department of the Accounting Department, Head of the Internal Operations Department of the Accounting Department of “MO “Kazakhstan Mortgage Company” JSC. 2007 - 2010 – Deputy Chief Accountant-Deputy Head of the Accounting Department of “Kazakhstan Housing Company” JSC, Chief Accountant-Head of the Accounting Department of “Kazakhstan Housing Company” JSC. 2010 - 2013 –Chief Accountant of “Kazakhstan Housing Company” JSC. 2013 - 2020 – Managing Director of “Kazakhstan Housing Company” JSC. In August 2020, she was elected a member of the Company’s Management Board. In November 2020, she was appointed to the position of Financial Director of Kazakhstan Housing Company JSC.

No shares of suppliers and competitors of the Company

REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD

Remuneration of members of the Management Board consists of the following parts:

- official salary;
- awards for public holidays;
- remuneration based on the results of activities for the reporting period.

The amount of remuneration to members of the Management Board for 2020 amounted to KZT 183.7 million (before taxes and other mandatory deductions).

INTERNAL AUDIT

The Internal Audit Service (IAS) monitors financial and economic activities, provides independent reasonable guarantees and advice aimed at improving the Company's activities and improving the efficiency of the Company's management, including risk management systems, internal control and corporate governance.

The head and employees of the IAS are appointed and dismissed by the decision of the Board of Directors on the recommendation (recommendation) of the Audit and Risk Management Committee. The activities of the IAS are carried out in accordance with the Annual Audit Plan approved by the decision of the Board of Directors.

During 2020, the IAS performed audit in accordance with the established Annual Audit Plan. All recommendations were evaluated according to their significance, measures necessary for their implementation were proposed and persons responsible for their implementation were appointed.

In 2020, the following objects were covered by the audit (business processes, systems, procedures, etc.):

- compliance with the limits of certain types of administrative expenses;
- the process of organizing work on record keeping and improving the electronic document management system;
- the process of forming a portfolio for compliance with the Company's standard requirements, including loans without repurchase;

- reliability of the actual values of the efficiency of the Management Board;
- process of planning and budgeting. Implementation and monitoring of the Development Plan;
- procedures for information and analytical activities, including control and monitoring of the implementation of the main indicators of state programs;
- procurement procedures in the Company;
- process of requirements for partner limits, assessment of their compliance and all limits adopted by the Board of Directors for partner banks, including the Company's obligations;
- process of valuation, revaluation of collateral and balance sheet property.

The internal control system and the risk management system were also evaluated using generally accepted standards of internal audit and corporate standards, in accordance with the methods approved by the Board of Directors.

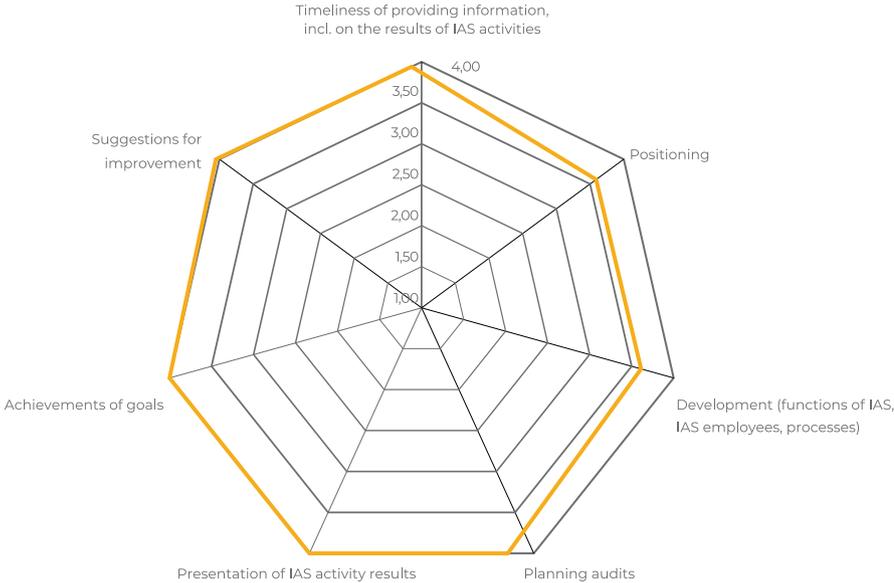
According to the results of audit assignments conducted by the Internal Audit Service in 2020, 85 detections were identified; among them 3 - critical, 13 - important and 69 - insignificant; 107 relevant recommendations were given, among them: 10 are recommendations of category "A", 18 are recommendations of category "B" and 79 are recommendations of category "C". According to all the recommendations provided, corrective and preventive action plans were drawn up, approved by the Company's Management Board/Board of Directors (for individual audit assignments). As of 01.01.2021, 43 events have been completed, 5 events are overdue, and 59 events are due in 2021.

Monitoring of the implementation of the recommendations of internal and external audits is carried out by the IAS on a quarterly basis with the provision of monitoring results to the Management Board and the Board of Directors.

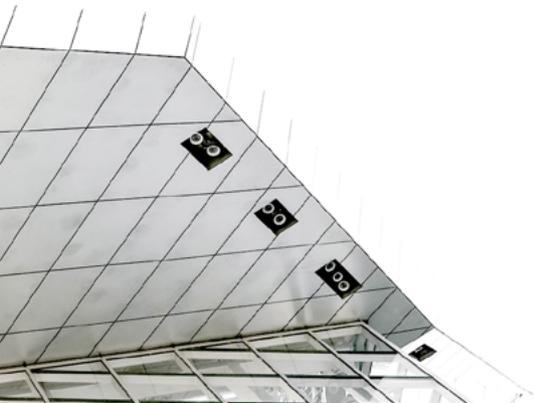
Based on the results of its activities in 2020, the IAS conducted an internal assessment (self-assessment) of the quality of internal audit activities in accordance with the Program for Ensuring and Improving the Quality of Internal Audit, taking into account the results of a questionnaire on satisfaction with the quality of IAS activities with audit objects and members of the Audit and Risk Management Committee. The results of the self-assessment showed that the main established targets for the quality of IAS activities were achieved.

The activities of the IAS generally comply with the definition of internal audit, the Code of Business Ethics and International Professional Standards of Internal Audit, as well as internal documents regulating the activities of the IAS.

Assessment of the quality of internal audit activities by members of Audit and Risk Management Committee



Source: «KHC»



EXTERNAL AUDIT

In 2020, the Company's auditor was KPMG Audit LLP. In 2019, a contract was signed with KPMG Audit for the audit services of financial statements for 2019-2021. The decision on selection of an auditor is made by the Holding.

In accordance with the Rules for attracting an external auditor of the Company, the rotation of partners, senior staff and the composition of auditors responsible for the audit of the Company's financial statements should be carried out at least once every five years.

Remuneration to the auditor in 2020 under the agreement with "MO "KIK" JSC amounted to KZT 26.8 million, under the agreement with Baiterek Development JSC – KZT 30 million, under the agreement with "Housing Construction Guarantee Fund" JSC – KZT 7.17 million.

CODE OF BUSINESS ETHICS

“KHC” JSC has a Code of Business Ethics developed in accordance with the provisions of the legislation of the Republic of Kazakhstan, the charter and internal documents of the Company, including the Code of Business Ethics of the Holding, as well as taking into account recognized international standards of business conduct and corporate governance.

The provisions of the Code of Business Ethics have been developed taking into account the mission and values of “KHC” JSC.

The Code is a set of rules that establish the fundamental values and principles of corporate (business) ethics that guide the officials and employees of “KHC” JSC. Familiarization with it and its execution are mandatory for all employees of the Company, regardless of their position.

In accordance with the Code of Business Ethics when carrying out its activities, “KHC” JSC:

- complies with the norms of the legislation of the Republic of Kazakhstan, the decisions of the Sole Shareholder, as well as the requirements of other documents related to the Company’s activities;
- ensures the observance and respect of the rights, honor and dignity of a person and a citizen, regardless of origin, social, official and property status, gender, race, nationality, language, attitude to religion, beliefs, place of residence or any other circumstances;
- strives to ensure that all its relations with interested parties are mutually beneficial;
- creates equal conditions for improving the professional qualifications of employees seeking self-education and professional development, in accordance with training and professional development programs;
- provides employees with remuneration for work, depending on the level of qualification, complexity and quality of the work performed, the results of the implementation of key performance indicators;
- takes all measures to ensure the safety and labor protection of employees in accordance with the legislation, and also creates safe working conditions for employees;
- ensures non-disclosure of confidential information within the limits established by the legislation of the Republic of Kazakhstan and internal documents of the Company;
- creates conditions for an open and trusting dialogue between the Company’s officials and employees;
- evaluates and encourages initiative ideas and proposals of employees, the implementation of which has a positive effect for the Company;

- does not allow the provision of any privileges and benefits to individual officials and employees of the Company otherwise than on a legal basis, with the obligatory provision of equal opportunities for all;
- responsible for making decisions that are free from conflicts of interest at any stage of this process, from an official to any employee who makes decisions.

In order to verify compliance with the provisions of the Code of Business Ethics, the Company has introduced the institution of an ombudsman. The Ombudsman is a person appointed by the Company's Board of Directors, whose role is to advise the Company's applied employees, and to assist in resolving labor disputes, conflicts, problematic issues of a social and labor nature, as well as in compliance with the principles of business ethics by the Company's employees.

MANAGING CONFLICTS OF INTEREST AND CORPORATE CONFLICTS

Avoiding a conflict of interests is an important condition for ensuring the protection of the interests of the Sole Shareholder, "KHC" JSC, its officials and employees.

All officials and employees of the Company are responsible for making transparent, timely and adequate decisions, free from conflicts of interest.

Officials and employees of "KHC" JSC in order to prevent a conflict of interests are obliged to:

- avoid any actions and relationships that could potentially cause a conflict of interest or the appearance of such a conflict;
- refrain from providing benefits to legal entities that are managed or owned by close relatives;
- immediately inform about any commercial or other interest (direct or indirect) in transactions, contracts, projects related to the Company or in connection with other issues in accordance with the procedure provided for by the internal documents of KHC JSC;
- notify in a timely manner about the performance of work and / or the occupation of a position(s) in other organizations, about a change in the permanent (main) place of work (service, business activity, etc.);
- before giving a consent to work or hold a position in a third-party organization that is not part of the Holding group, obtain the appropriate permission in accordance with the established procedure as per the competence of the Board of Directors / Management Board / Chairman of the Management Board;
- do not participate in the discussion and voting on issues interested in;
- do not use the Company's resources, intellectual property, equipment and communications (including corporate mail and computer programs) for personal purposes;
- in case the employee is not sure of the correct decision, consult with direct management.

In the event of a conflict of interest, officials and employees of KHC JSC are obliged to notify their immediate supervisor or management of the Company in writing about a conflict of interest or the possibility of its occurrence as soon as they become aware of it.

In the event of corporate conflicts, the participants are looking for ways to resolve them through negotiations in order to ensure effective protection of both the rights of the Sole Shareholder and the business reputation of the Company. The main task of the Company's bodies in the process of settling a corporate conflict is to find a solution that, being legal and reasonable, would meet the interests of KHC JSC.

DIVIDEND POLICY

When implementing its dividend policy, KHC JSC adheres to the policy of capitalization growth and the frequency of dividend payments based on the amount of net income received at the end of the reporting year.

The decision on the amount of dividends on ordinary shares and the procedure for their payment to the shareholders of the Company is made by the General Meeting of Shareholders, taking into account the recommendation of the Board of Directors.

In 2020, the Company declared and paid dividends in the amount of KZT 2,577,532 thousand, or KZT 423.84 per ordinary share, based on the results of 2019. In 2019, dividends were declared and paid in the amount of KZT 1,385,764 thousand, or KZT 227.87 per ordinary share, based on the results of 2018.

Capital structure as of January 1, 2021

Holder	Ordinary shares, pcs.	Ordinary shares, in%	Preferred shares	Total shares, pcs	Total shares, in %
Baiterek National Managing Holding JSC	17 631 022	100.0	–	17 631 022	98,60
Number of authorized ordinary shares, pcs.				22 000 000	
Number of authorized preferred shares, pcs.				–	
Number of placed ordinary shares, pcs.				17 881 022	
Number of placed preferred shares, pcs.				–	
Number of repurchased ordinary shares, pcs.				250 000	
Number of repurchased preferred shares, pcs.				–	
Number of ordinary shares in circulation, pcs.				17 631 022	
Number of preferred shares in circulation, pcs.				–	

Source: KASE

RISKS MANAGEMENT

RISKS-MANAGEMENT SYSTEM

In accordance with the Risks management Policy, the organizational structure of KHC JSC involved in the risk management process is represented by the Board of Directors, the Management Board, the structural unit responsible for risk management, the Internal Audit Service and other structural divisions.

In the process of assessing and identifying risks, the Company adheres to a single standard with the Holding within the framework of the model of a centralized risk management system. The model includes an assessment of certain types of risk (operational, currency, interest rate, credit, liquidity risk, business risk, real estate risk), as well as their aggregation and assessment of the adequacy of available financial resources (AFR) to cover the aggregate amount of risks calculated in normal stressful situations.

The assessment of the Company's internal capital and the AFR is carried out by the Risk Management Department, followed by entry into the management reporting system.

In 2020, as part of the reorganization of the Company through the merger of the Housing Construction Guarantee Fund JSC and Baiterek Development JSC, the matrix of business processes, the map of risks and controls were updated in accordance with the strategic goals of the Company and focus on key business processes.

In the reporting year, the internal documents were updated regarding the calculation of reserves, namely, amendments and additions were approved to the Methodology for calculating provisions (reserves) against loans of Kazakhstan Housing Company JSC, as well as to the Methodology for calculating provisions (reserves) for settlement Company warranty cases.

During the assessment of the risk management system, the need was identified to strengthen work in the direction of such components as "Risk culture", "Improving the risk management system", "Approach to identifying risks", as well as increasing the level of automation of the management reporting system for risk management ...

The centralized risk management system consists of 4 blocks:

- management and assessment of certain types of risk;
- total amount of risks in view of the normal and stressful situations;
- capital adequacy;
- risk appetite.

The centralized risk management system is based on the process of assessing the adequacy of internal capital due to the need to assess all the risks of the Company, which are initially scattered. For each type of risk, its quantitative assessment is carried out with the aim of further aggregation to calculate the internal capital and compare it with the available financial resources of the Company, designed to cover all the risks of the Company. Each type of risk is assessed in accordance with the internal documents of the Company.

Internal capital takes into account the following types of risks calculated under normal and stressful situations: credit risk, currency and interest rate risk, operational risk, business risk, real estate risk. All these risks are identified and assessed in accordance with the internal documents of the Company. Some of the risks inherent in the activity are reflected on the Company's risk map.

Drawing up (updating) a risk register and an action plan for risk management of the Company in view of the business processes and areas of activity is a mandatory requirement for the functioning of the risk management system.

Risk owners define key risk indicators (KRI) as a risk management tool. Due to this tool and applying restrictions on the reasons of risk occurrence selected by an expert, the DSS notifies the risk owner for the latter to take actions to minimize risk in the future. The KRI tool is also used to monitor and predict the causes of exposure to risks.

The components for determining the risk appetite are:

1. capital adequacy;
2. profitability;
3. liquidity.

Annually, the authorized body of the Company, the Board of Directors reviews and approves the risk appetite in order to ensure its compliance with the Company's strategy, the business environment and the requirements of stakeholders.

KEY RISKS MANAGEMENT

Liquidity Risk

Liquidity risk arises when the maturity of assets and liabilities does not coincide, which affects the provision of the Company with sufficient liquid funds at an acceptable price in order to timely meet its balance sheet and off-balance sheet liabilities. The coincidence and / or controlled mismatch of maturities and interest rates on assets and liabilities is fundamental to the management of financial institutions. Due to the variety of transactions performed and the associated uncertainty, full maturity of assets and liabilities is not common practice for financial institutions, which makes it possible to increase the profitability of transactions, but increases the risk of cash shortages.

The company manages liquidity in order to ensure the constant availability of funds necessary to fulfill all obligations as they fall due.

The Company manages liquidity risk within the framework of the Company's Risk Management Policy, the Company's Investment and Borrowing Policy, the Market Risk and Liquidity Loss Risk Assessment Methodology approved by the Board of Directors and the Management Board. The documents define the main processes and procedure for managing the risk of liquidity loss, as well as establish the functions and powers of the involved structural divisions of the Company in this process in order to effectively manage the risk of liquidity loss and ensure the adequacy of the Company's funds to cover all liabilities.

Within the framework of the above documents, the risk of liquidity loss is measured and controlled by means of the following instruments / analytical

reports: regulatory and contractual liquidity ratios; analysis of the current balances of liquid funds, planned inflows / outflows of liquid funds; internal liquidity ratios, including the LCR and NSFR liquidity ratios recommended by the Basel Committee on Banking Supervision; liquidity gaps (gap analysis). In order to avoid surplus or shortage of liquid funds, the Committee for Management of Assets, Liabilities and Risks of the Company monitors activities to attract and use liquid funds.

The Committee for Assets, Liabilities and Risk Management of the Company monitors liquidity risk by analyzing cumulative gaps in order to take measures to reduce the risk of losing the Company's liquidity. Current liquidity management is carried out by the Treasury Department, which operates in the financial markets to maintain current liquidity and optimize cash flows.

The Company's liquidity management procedures consist of:

- forecasting cash flows by major currencies and calculating the required level of liquid assets related to these cash flows;
- maintaining a diversified structure of funding sources;
- management of concentration and structure of borrowed funds;
- development of plans for debt financing;
- servicing a portfolio of highly liquid assets, which can be freely implemented as a protective measure in the event of a gap in cash liquidity;
- development of reserve plans to maintain liquidity and a given level of funding;
- exercising control over the compliance of the Company's balance sheet liquidity ratios with statutory standards.

The summary information on the liquidity risk of the Company is provided on a monthly basis to the Risk Management Department of the Holding and the Management Board, as well as to the Board of Directors as part of a quarterly risk report.

Market Risks

The Company is exposed to **market risk** arising from open positions in foreign exchange, interest rate and equity instruments, which are exposed to the risk of general and specific market movements. The Company sets limits on the level of risk accepted and monitors compliance with them on a periodic basis.

The market risk management process includes the following sequential steps:

- 1) management planning - identifying relevant approaches to effectively manage exposure to market and liquidity risks;
- 2) identification - identifying and documenting the types of exposure to market risks that can have a negative impact on the financial result of the Company;
- 3) qualitative assessment - a qualitative analysis of market risks and the risk of liquidity loss, determination of the reasons for their occurrence in order to assess their impact on the financial result of the Company;
- 4) quantitative assessment - a quantitative analysis of the likelihood and impact of the consequences of the market risks implementation;
- 5) response planning - defining procedures and methods to mitigate the negative consequences of the market risks implementation;
- 6) monitoring and control of exposure - monitoring of market risks and implementation of procedures for their timely management, assessment of the effectiveness of actions taken to minimize exposure to market risks.

The purpose of the market risk exposure management systems is to maintain the aggregate risk assumed by the Company at the level determined by the Company in accordance with its own strategic objectives. The priority is to ensure maximum safety of the Company's assets and capital on the basis of minimizing exposure to market risks, which can lead to unexpected financial losses and a decrease in the Company's ability to meet its earlier obligations in a timely manner and in full.

Market risk assessment methods include:

- **currency risk.** Monitoring foreign exchange position, including the application of sensitivity analysis of changes in exchange rates and the impact on the financial result. The amount of change in the foreign exchange position depends on the type of applied stress scenario;

- **currency risk.** Calculation of monthly, annual VaR by the historical method using the covariance-variation matrix;
- **interest rate risk.** Monitoring of the securities portfolio for the duration and volume, including the change in yield to maturity and the impact on the financial result. The amount of change in yield to maturity depends on the type of stress scenario used;
- monitoring of gaps in assets and liabilities sensitive to changes in interest rates, including changes in the interest rate and the impact on the financial result. The amount of rate change depends on the type of stress scenario applied.

The summary information on the Company's market risks is provided on a monthly basis to the Risk Management Department of the Holding and the Management Board, as well as to the Board of Directors as part of a quarterly risk report.

Operational risk

In carrying out its activities, the Company is exposed to operational risk.

Operations risk is a risk that leads to losses as a result of inadequate or erroneous internal processes, personnel actions, system functioning, as well as losses arising from the implementation of external events.

The goal of operational risk management is to optimize the Company's operational efficiency by reducing operational losses, rationalizing costs, as well as reducing time and increasing the adequacy of the Company's response to events outside of its control.

The main objectives of operational risk management are:

- improvement of procedures and mechanisms for managing operational risks to which the Company is exposed;
- business continuity management system;
- inadmissibility of other actions by the Company leading to significant changes in the level of operational risks assumed by the Company;
- limiting losses in the course of the Company's operations as a result of the operational risks implementation.

Operational risk management tools:

1. an operational loss database used to track operational risk data on an ongoing basis, including significant losses in each line of business;
2. self-assessment of operational risks, used to identify and assess operational risks by structural divisions of the Company for their subsequent control and management;
3. key risk indicators used for assessing, monitoring and early warning of operational risks in order to select areas of activity within the structural divisions of the Company to take control measures to mitigate risks in a timely manner;
- 4) The risk map is a method for analyzing the operational and other risks of the Company, which makes it possible to identify their interconnection and mutual influence.

In order to ensure holistic and comprehensive management of operational risks, operational risk management tools are used in an integrated and interconnected manner.

The Company monitors operational risks by comparing the accepted losses to the established limit on capital for operational risk (calculated according to the basic and standardized methods, in accordance with the calculation approaches recommended by the Basel Committee on Banking

Supervision) and using information filled in by the Company's divisions through the electronic database of operational losses, key risk indicators, Risk maps, self-assessment of business processes.

Operational risks are classified by event category and by cause of occurrence in accordance with the recommendations of the Basel Committee on Banking Supervision.

Operational risk event categories:

- risk related to the actions of personnel (the risk of losses associated with the actions of personnel, agents and intermediaries, or associated with the relationship of the Company with customers, regulators or third parties);
- risk associated with the functioning of the system (the risk associated with failures and stoppage of the functioning of telecommunications and IT infrastructure);
- process risk (risk of losses due to errors in the execution of transactions (erroneous transactions), management of client accounts and other business processes);
- risk associated with external factors (risk of losses due to actions of third parties, including external fraud, damage to fixed assets or changes in legislation that may entail interference with the continuation of the Company's operational / business activities).

Credit Risks

The Company is exposed to **credit risk**, that is the risk of non-fulfillment of counterparty's obligations to a financial instrument.

The main goals of the Company's credit risk management system are to minimize credit risk, prevent it, and reduce the likelihood of financial losses due to non-fulfillment of financial obligations by borrowers.

The credit risk management process includes the following sequential steps:

- identification - determination and documentation of credit risk factors that can have a negative impact on the financial result of the Company;
- qualitative assessment - a qualitative analysis of credit risk, determination of the causes of their occurrence in order to assess their impact on the financial result of the Company;
- quantitative assessment - a quantitative analysis of the likelihood and impact of the consequences of the implementation of credit risk on the financial result of the Company;
- response - defining procedures and methods to mitigate the negative consequences of credit risk realization;
- monitoring and control of exposure - monitoring of credit risk, implementation of procedures for its timely management, assessment of the effectiveness of actions taken to minimize exposure to credit risk.

The company determines the level of credit risk by setting maximum limits for one borrower and / or a group of related borrowers. When setting the limits, the credit ratings of counterparties assigned by international rating agencies are used, and the financial

condition is assessed based on the available data on financial statements. These risks are monitored on a regular basis and reviewed on a consolidated basis by the Holding's Assets and Liabilities Management Committee. At the same time, the limits are reviewed at least once a month.

The Company uses the credit risk weighted assets (RWA) method to assess credit risk..

When carrying out stress testing of credit risk, the Company uses a basic approach, for which the following monthly data are used with a period of at least 3 years in such a way that the number of observations n exceeds 30:

- the amount of assets weighted by the degree of the Company's credit risk;
- USD / KZT exchange rate;
- Brent oil price;
- inflation rate (consumer price index).

During stress testing, stress scenarios are divided into baseline (reflecting less critical stressful events) and crisis (reflecting the most critical stressful events that entail an extremely high degree of losses).

Stress test results are used to determine:

- level of the reserve for accepted risks;
- amount of internal capital.

Business Risk

The company is subject to exposure to various types of risks in the implementation of its business processes. Business risk is one of the important factors affecting the stability and financial results of the Company.

Business risk is understood as an unfavorable unforeseen change in the volume of the Company's activities that can lead to significant loss of profit. The main factors of business risk: significant deterioration in market conditions, changes in the competitive environment, changes in the structure of expenses, etc.

Business risk is assessed on a regular basis by calculating return at risk (EaR), which is replaced by VaR and is interpreted as the maximum amount of probable losses that will not be exceeded for a given confidence interval (99%) and time horizon in a normal market.

Stress testing uses the historical and hypothetical scenario method to simulate a stress scenario for business risk..

In order to calculate stress testing, the following quarterly data are used with a period depth of 3 years or more (so that the number of observations n exceeds 30):

- net income of the Company,
- USD / KZT exchange rate;
- Brent oil price;
- inflation rate (consumer price index).

As mentioned earlier, the results of stress testing are used in the process of determining the level of provision for assumed risks and the amount of internal capital.

Real Estate Risk

Real estate risk - possible losses due to changes in the market value of real estate objects on the balance sheet of the organization.

In carrying out its activities, the Company is exposed to the risk of real estate, since the Company's activities are directly related to financing construction and generating income from the lease of real estate.

Real estate risk assessment using VaR calculation is an integral part of the Company's centralized risk management model.

In order to simulate a stress scenario for real estate risk, the method of historical and hypothetical scenarios is used.

In order to calculate stress testing, the following monthly data are used with a period depth of 3 years or more (so that the number of observations n exceeds 30):

- real estate price change index;
- USD / KZT exchange rate;
- Brent oil price;
- inflation rate (consumer price index).

The results of stress testing are used in the process of determining the level of provision for assumed risks and the amount of internal capital.

CONTACT INFORMATION

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LIST OF ABBREVIATIONS

JSC - Joint Stock Company

Baiterek NMH JSC/ Holding – Baiterek National Managing Holding Joint-Stock Company

HCGF JSC – “Housing Construction Guarantee Fund” Joint-Stock Company

ASPR RK - Agency for Strategic Planning and Reforms

STB - second tier bank

GDP – gross domestic product

TAF – temporarily available funds

EKR - East Kazakhstan region

y - year

yy – years

SPIID - The State Program of Industrial and innovative development of the Republic of Kazakhstan for 2020-2025

GS – government securities

USD – US dollar

AFR – available financial resources

units – units

HCS – Housing and communal services

WKK - West Kazakhstan region

IRB– Individual residential building

REIF - Real Estate Investment Fund

m² – square meter

KIK / JSC “MO “KIK”/ MO “KIK” – Joint Stock Company “Mortgage organization” Kazakhstan Mortgage Company”

Company/”KHC” JSC/Unified operator–“Kazakhstan Housing Company” Joint-Stock Company

KPI - key indicator of activity

LC - Liquidation Commission

IMF – International Monetary Fund

MARB – Multi-apartment residential building

MARC – Multi-apartment residential complex

LEB– local executive body

mln.– million

bln.–billion

IFRS – International Financial Reporting Standards

MFOs – international financial organizations

NF RK – National Fund of the Republic of Kazakhstan

reg.– region

UN – United Nations

pp – percentage point

IDR–issuer default rating

RK – The Republic of Kazakhstan

IAS – Internal Audit Service

ICS – internal control system

Mass media – mass media

NKR - North Kazakhstan region

LLP – Limited Liability Partnership

SEC - Shopping and entertainment center

etc. – so on

incl. - including

thousand–thousand

person–person

SDGs – UN Sustainable Development Goals

pcs–pieces

EBITDA – Earnings before Interest, Taxes, Depreciation and amortization (Earnings Before Interest, Taxes, Depreciation and Amortization)

GRI - Global Reporting Initiative

KASE – Kazakhstan Stock Exchange (Kazakhstan Stock Exchange)

NI margin – return on sales by net profit (Net Profit Margin)

ROA - Return on Assets

ROE – Return on Equity

ANNEX 1. ABOUT REPORT

KHC JSC adheres to the principle of openness and strives for effective disclosure of information in all areas of the Company's activities, both in terms of operational and financial results, as well as in the field of sustainable development and corporate governance.

The Company annually discloses the results of its activities in the field of sustainable development to interested parties in the relevant section of the corporate website, as well as in its annual reports.

This annual report includes financial and non-financial information about the activities of KHC JSC for the period from January 1 to December 31, 2020, as well as some data from previous periods, plans and forecasts of the Company.

This is the first annual report of the Company wherein the information on sustainability is disclosed in accordance with the GRI Standards ("basic compliance option"). Accordingly, indicators in the field of sustainability, that have been previously disclosed, are adjusted to better comply with the GRI Standards.

Moreover, in 2020 the Company was reorganized. The scope and direction of work, as well as the structure, have changed. You can read about the changes in the section "About the Company".

The 2019 Annual Report, which also includes information on sustainable development, was published on 30 August 2020.

This 2020 Annual Report has not been externally endorsed.

When preparing the annual report, KHC JSC was guided by the principles of determining the content

of the report defined by the GRI Standards:

- **interaction with stakeholders** - when disclosing information, the interests of stakeholders identified in the course of interaction with them were taken into account. Disclosed information that is most important to stakeholders;
- **context of stable development** – the work of KHC JSC in this annual report is presented in view of the broad social and economic context. The company defines its work within the framework of the external environment, which includes economic, social and environmental aspects;
- **materiality** - directions recognized as the most significant by the internal or external stakeholders of the Company were covered in more detail in the annual report. The rest of the information was given in less detail so as not to overload the document and to make it easier for the user to work with the information;
- **completeness** - KHC JSC covers as fully as possible the essential directions of its activities in the field of sustainable development, including all the details that are important for a holistic understanding of the situation.

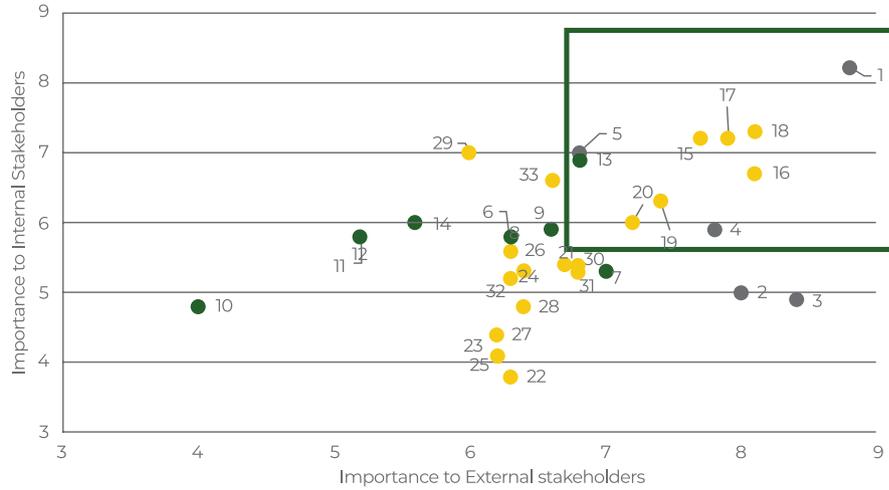
The principles of materiality and stakeholder engagement helped to select the most significant directions of sustainable development, which are reflected in this annual report. The principles of sustainable development context and completeness were applied to a greater extent in the disclosure of information on selected directions.

KHC JSC conducted an analysis of the significance of all the directions of sustainable development based on a survey of internal and external stakeholders. The company annually sends questionnaire forms to the main stakeholders, structural divisions in charge of the area of sustainable development, determined by the Management Board, in order to determine the degree of stakeholder interest, including in issues of sustainable development.

As part of the preparation of the reputational audit report for 2020, a procedure was carried out to identify material aspects of the Company's activities in the field of sustainable development, which are recognized as important internal and external stakeholders. Based on the results of the reputation audit, important directions (from the point of view of stakeholders) were identified that need to be disclosed in the Company's reporting.

Based on the results of the analysis, a materiality matrix was built. The themes that fell into the upper right corner of this matrix were recognized as the most significant and, when preparing the section on sustainable development, they were disclosed in the most detail.

Materiality matrix



Sustainable development themes		Nº
Economic performance	Economic performance	1
	Market presence	2
	Indirect economic impacts	3
	Procurement practices	4
	Anti-Corruption	5
	Obstacle to competition	6
Environmental	Materials	7
	Energy	8
	Water	9
	Biodiversity	10
	Emissions	11
	Discharges and wastes	12
	Compliance with the requirements of environmental legislation	13
	Supplier Environmental Assessment	14
Social	Employment	15
	Relationship between employees and management	16
	Occupational health and safety	17
	Training and education	18
	Diversity and Equal Opportunity	19
	Non-discrimination	20
	Freedom of association and collective bargaining	21
	Child labor risk	22
	Risk of using forced or compulsory labor	23
	Security practices	24
	Rights of Indigenous and Minority Peoples	25
	Assessment of human rights observance	26

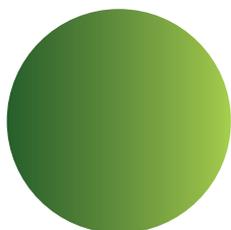
Sustainable development themes		Nº
Local communities		27
Assessing the impact of suppliers on society		28
Political activity		29
Consumer health and safety		30
Marketing communications		31
Privacy of the consumer		32
Compliance with requirements		33

ANNEX 2. GRI INDEX

Standard and indicators	Disclosure	Report sections / Exceptions	Page in the report
GRI 101 (2016): BASICS			
GRI 102 (2016): GENERAL DISCLOSURES			
ORGANIZATION PROFILE			
102-1	Name of organization	Company Profile	15
102-2	Main brands, products, and services	Strategic map	20
102-3	Location of the organization's headquarters	Contact Information	144
102-4	Number of countries wherein the Company operates	Company Profile	15
102-5	Nature of ownership and organizational and legal form	Company Profile	12
102-6	Markets where the organization operates	Company Profile	15
102-7	Scale	Key indicators	7
102-8	Number of employees	Structure and number of personnel	88
102-9	Company's supply chain	Strategic map	20
102-10	Significant changes in scale, structure, or ownership	Single Housing Construction Operator	6
102-11	Precautionary principle	Risk Management	136
102-12	Economic, environmental and social charters, principles or other initiatives that the Company has joined or supports	-	
102-13	Membership in associations	-	
STRATEGY AND ANALYSIS			
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102-16	The Company's values, principles, standards and norms of conduct, such as codes of conduct and ethical codes.	Code of Business Ethics	132
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INTERACTION WITH STAKEHOLDERS			
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102-42	Principles of identification and selection of stakeholders	Interaction with Stakeholders	73
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Standard and indicators	Disclosure	Report sections / Exceptions	Page in the report
102-46	Methodology for determining the content of the report and aspects	About Report	147
102-47	List of all significant aspects	About Report	147
102-48	The consequences of all the reformulations of the indicators published in previous reports	There are no reformulations or other reformulations in this annual report compared to the previous reporting	-
102-49	Significant changes in the scope and aspects compared to previous reporting periods	This is the first report prepared according to GRI Standards	-
GENERAL INFORMATION ABOUT THE REPORT			
102-50	Reporting period	About Report	147
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103-1	Materiality and boundaries	About Report	147
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103-3	Management assessment	Key performance indicators until 2023	23
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Standard and indicators	Disclosure	Report sections / Exceptions	Page in the report
201-1	Direct economic value created and distributed	Financial support, Annex 3. Financial statements	81, 162
GRI 204 (2016): PROCUREMENT PRACTICES			
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GRI 205 (2016): ANTI-CORRUPTION			
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GRI 103 (2016): MANAGEMENT APPROACHES			
103-1	Materiality and boundaries	About Report	147
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307-1	The monetary value of significant fines and the total number of non-financial sanctions imposed for non-compliance with environmental legislation and regulatory requirements	Managing own environmental impact	85
SOCIAL THEMES			
GRI 103 (2016): MANAGEMENT APPROACHES			
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Standard and indicators	Disclosure	Report sections / Exceptions	Page in the report
GRI 401 (2016): EMPLOYMENT			
401-1	Number of employees hired and staff turnover	Structure and number of personnel, Recruitment and adaptation of personnel	89
401-3	Maternity/paternity leave	Social policy	97
GRI 402 (2016): EMPLOYEE-MANAGEMENT RELATIONS			
402-1	The minimum period for notifying employees about changes in the company	The minimum period for notifying employees about changes in the Company that may affect them is 30 days.	-
GRI 403 (2018): OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Occupational health and safety	96
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GRI 404 (2016): TRAINING AND EDUCATION			
404-1	Average number of training hours per employee	Staff training	93
404-2	Skills development and lifelong learning programs to support the employability of workers and to support them in the end of their careers	Staff training	93
GRI 405 (2016): DIVERSITY AND EQUAL OPPORTUNITIES			
405-1	Membership of governing bodies and main categories of personnel of the company, disaggregated by gender, age group, minority group and other characteristics of diversity	Structure and number of personnel	88
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406-1	Confirmed cases of discrimination	Personnel management	87

ANNEX 3. FINANCIAL STATEMENTS

The complete set of financial statements, including the auditor's report, can be found on the corporate website of the Company: <https://kmc.kz/ru/investors/reports/query>

We communicate with those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as material comments on the results of the audit, including significant deficiencies in the internal control system that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements with regard to independence and that we have communicated to those individuals all relationships and other matters that could reasonably be considered to have an impact on the independence of the auditors, and where appropriate - on the actions taken to eliminate threats, and precautions.

From the matters that we have brought to the attention of those charged with governance, we identify those matters that were most significant in the audit of the financial statements of the current period and, therefore, are key audit matters. We describe these matters in our auditor's report, unless public disclosure of these matters is prohibited by law or regulation, or where, in extremely rare cases, we conclude that a matter should not be disclosed in our report, since it can be reasonably assumed that the negative consequences of providing such information will exceed the socially significant benefits of its provision.

The engagement partner who has produced this independent auditor's report.

Urdabayeva A.A.

Certified Auditor Republic of Kazakhstan
Auditor Qualification Certificate
No. MF-0000096 dated August 27, 2012

KPMG Audit LLP

State Audit License No. 0000021, issued by the Ministry of Finance of the Republic of Kazakhstan on December 6, 2006

Dementyev S.A.

CEO, KPMG Audit LLP, acting on the basis of the Charter
March 1, 2021

Statement of financial position as of December 31, 2020

	2020 KZT thousand	2019 KZT thousand
ASSETS		
Cash and cash equivalents	63,619,060	32,735,123
Accounts and deposits with banks and other financial institutions	69,728,933	2,013,628
Investment securities:		
• Measured at fair value through profit or loss	2,932,039	2,719,292
• Measured at amortised cost	917,887,952	19,918,195
Loans to customers and long-term receivables from the sale of real estate in installments	135,292,670	62,663,247
Finance lease receivables	164,270,564	143,791,036
Current tax asset	2,843,520	1,135,442
Advances paid for the purchase and construction of real estate	147,859	581,978
Assets to be transferred under finance lease agreements	4,121,178	2,274,682
Construction in progress	1,883,436	1,534,061
Fixed assets	4,867,901	1,968,153
Investment property	5,834,999	187,421
Non-current assets held for sale	306,540	-
Other assets	1,201,557	1,183,936
Total assets	1,374,938,208	272,706,194

	2020 KZT thousand	2019 KZT thousand
LIABILITIES		
Debt securities issued	738,066,735	67,683,718
Other funds raised	208,647,686	33,389,460
Government subsidies	197,563,476	98,052,131
Deferred income and reserves for issued guar- antees	13,456,567	-
Deferred tax liability	11,098,775	1,870,669
Other liabilities	5,853,535	2,617,680
Total obligations	1,174,686,774	203,613,658
EQUITY CAPITAL		
Share capital	193,432,016	63,313,800
Issue income	12,661	12,661
Own shares repurchased from shareholders	(2,597,522)	(2,597,522)
Additional paid-in capital	3,389,392	5,822,856
Reserve capital	2,734,447	2,734,447
Accumulated losses/(retained earnings)	3,280,440	(193,706)
Total equity	200,251,434	69,092,536
Total equity and liabilities	1,374,938,208	272,706,194

Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	2020 KZT thousand	2019 KZT thousand
Interest income calculated using the effective rate method	53,266,655	11,308,769
Other interest income	11,217,728	9,077,209
Interest expense	(40,285,767)	(7,939,001)
Net interest income	24,198,616	12,446,977
Fee-based income	23,568	13,045
Charges	(375,219)	(285,583)
Net commission expense	(351,651)	(272,538)
Net income/(loss) from foreign currency transactions	74,885	(4,719)
Net realized gain on investment securities at fair value through profit or loss for the period	211,514	99,509
Net earned insurance premiums	297,481	-
Other operating income/(expenses)	3,982,027	(306,907)
Operating income	28,412,872	11,962,322
(Losses)/income from impairment of debt financial instruments	(7,040,718)	882,225
Reserves for issued guarantees	(9,483,772)	-
Personnel costs	(1,865,938)	(1,528,295)
General and administrative expenses	(1,776,670)	(1,397,141)
Profit before tax	8,245,774	9,919,111
Income tax expense	(2,194,096)	(1,327,345)
Profit and total comprehensive income for the year	6,051,678	8,591,766

Statement of cash flows for the year ended December 31, 2020

	2020 KZT thousand	2019 KZT thousand
CASH FLOW FROM OPERATING ACTIVITIES		
Interest income received	24,598,328	15,384,760
Interest expense paid	(10,464,732)	(6,501,788)
Fee-based income received	29,608	12,870
Charges paid	(373,783)	(255,471)
Other income	657,993	369,779
Personnel costs paid	(1,903,753)	(1,635,305)
General and administrative expenses paid	(1,796,779)	(1,322,393)
	10,746,882	6,052,452
(Increase)/ decrease in operating assets		
Accounts and deposits with banks and other financial institutions	(36,913,378)	459,270
Financial assets measured at fair value through profit or loss for the period	9,675	2,003,151
Loans to customers and long-term receivables from the sale of real estate in installments	401,647	(19,042,721)
Assets to be transferred under finance lease agreements	(3,769,760)	(1,889,871)
Construction in progress	(252,080)	(666,445)
Finance lease receivables	7,835,671	6,449,271
Other assets	1,309,910	761,708

	2020 KZT thousand	2019 KZT thousand
Increase/(decrease) in operating liabilities		
Government subsidies	146,637	(340,297)
Deferred income on guarantees issued	216,499	-
Other liabilities	161,467	(163,128)
Net cash flow (used in) / received from operating activities before income tax	(20,106,830)	(6,376,610)
Income tax paid	(63,016)	(37,775)
(Use) of cash in operating activities	(20,169,846)	(6,414,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities measured at amortised cost	(656,053,351)	(86,481,398)
Repayment of investment securities measured at amortised cost	190,066,288	79,500,000
Acquisition of fixed and intangible assets	(2,573)	(245,843)
Sale of investment property	16,189	297,954
Receipt of funds as a result of joining	35,103,426	-
Use of cash in investing activities	(430,870,021)	(6,929,287)

	2020 KZT thousand	2019 KZT thousand
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/repayment of debt securities issued	(16,507,000)	(10,000,000)
Proceeds from the issue of debt securities	500,479,994	11,425,002
Receipt of other attracted funds	478,500	-
Dividends paid	(2,577,532)	(1,385,764)
Cash flow from financing activities	481,873,962	39,238
Net increase /(decrease) in cash and cash equivalents	30,834,095	(13,304,434)
Effect of changes in expected credit losses on cash and cash equivalents	13,540	139,339
Effect of changes in exchange rates on cash and cash equivalents	36,302	(3,172)
Cash and cash equivalents as of the beginning of the year	32,735,123	45,903,390
Cash and cash equivalents at the end of the year	63,619,060	32,735,123

Statement of changes in equity for the year ended December 31, 2020

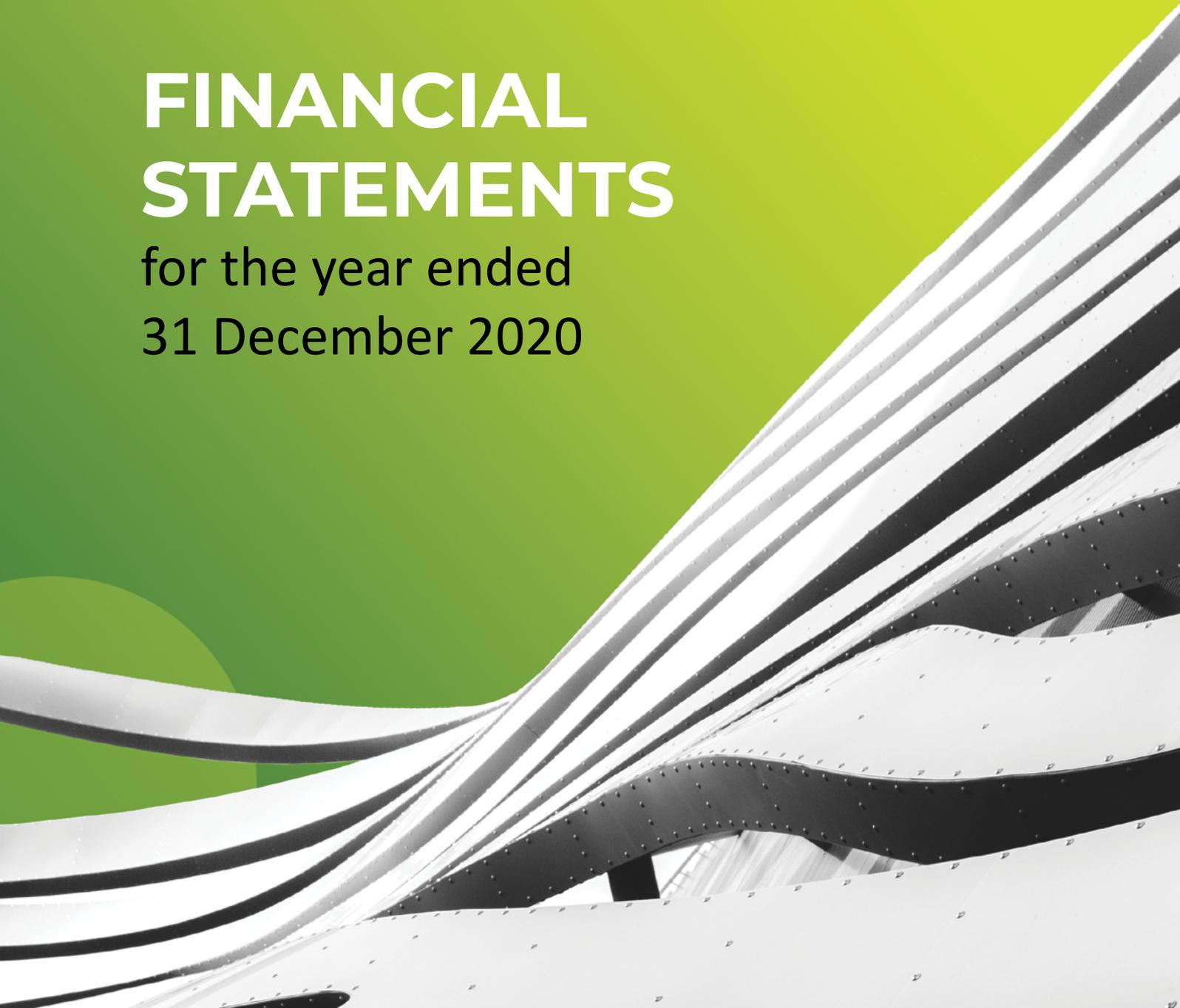
KZT thousand	Share Capital	Issue income	Own shares repurchased from shareholders	Additional paid in capital	Reserve Capital	(Accumulated losses) / retained earnings	Total
Balance as of January 1, 2019	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(7,399,708)	61,886,534
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	8,591,766	8,591,766
Transactions with owners recognized directly in equity							
Dividends claimed and paid	-	-	-	-	-	(1,385,764)	(1,385,764)
Balance as of December 31, 2019	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(193,706)	69,092,536
Balance as of January 1, 2020	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(193,706)	69,092,536
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	6,051,678	6,051,678
Transactions with owners recognized directly in equity							
Dividends declared and paid	-	-	-	-	-	(2,577,532)	(2,577,532)
Capital contributions (issue of shares) related to the business combination	130,118,216	-	-	(2,433,464)	-		127,684,752
Balance as of December 31, 2020	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	3,280,440	200,251,434



KAZAKHSTAN
HOUSING
COMPANY

FINANCIAL STATEMENTS

for the year ended
31 December 2020





«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік

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Тел.: +7 (727) 298-08-98

KPMG Audit LLC

180 Dostyk Avenue, Almaty, A25D6T5,
Kazakhstan,

E-mail: company@kpmg.kz

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF KAZAKHSTAN HOUSING COMPANY JSC

Opinion

We have audited the financial statements of Kazakhstan Housing Company JSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including

International Independence Standards) (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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were

addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter

Loans to customers, long-term receivables from sales of real estate under the instalment agreements and finance lease receivables represent more than 22% of total assets and are presented net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used.

The Company uses ECL valuation model, which requires management to apply professional judgment and to make assumptions related to the following key areas:

- timely identification of significant increase in credit risk and default events related to loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables;
- assessment of probability of default (PD) and loss given default (LGD);
- assessment of add-on adjustment to account for different scenarios and forward-looking information;
- expected cash flows forecast for loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables, which are credit-impaired.

There is an increased risk of material misstatement of expected credit losses in the current year due to the higher uncertainty related to judgements and estimates resulting from COVID-19.

Due to the significant volume of loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables and the related estimation uncertainty, this area is a key audit matter.

How the matter was addressed in our audit

We analysed the key aspects of changes in the methodology and policies of the Company as well as the policies of the merged companies related to the ECL estimate for compliance with the requirements of IFRS 9 and for comparability of the models and their consistent use, with the involvement of our own financial risks management specialists.

To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, our audit procedures included the following:

- We tested design and operating effectiveness of controls over allocation of loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables into credit risk stages.
- For a sample of loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables, for which the potential changes in ECL estimate may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Company by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Company.
- Regarding the loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables assigned to stages 1 and 2 of the credit risk, for which

Expected credit losses (ECL) for loans to customers and long-term finance lease receivables*

* Please refer to the Notes 3(e)(iii), 4,15 and 16 in the financial statements.



ECL is assessed collectively, we tested the design and implementation of the related models, as well as agreeing input data to supporting documents on a sample basis. We focused on allocation of the credit risk stage for the loans restructured as a result of COVID-19 outbreak, as well as on counterparties operated in the industries affected by COVID-19.

- We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers and debtors included in relevant grades. As part of this work we tested the appropriateness of the Company's assessment of the economic uncertainty related to COVID-19.
- We assessed the current efficiency of the significant increase in credit risk (SICR) criterion and determined independently an appropriate allocation of the loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables for a sample, for which the potential changes in ECL estimate may have a significant impact on the financial statements.
- For a sample of loans to customers, receivables from sales of real estate under the instalment agreements and finance lease receivables allocated to stage 3 of credit risk, we critically assessed assumptions used by the Company to expected cash flows, including estimated proceeds from realisation of collateral and their timing, on the basis of our understanding and available market information. We focused on the borrowers that can potentially have the most significant impact on the financial statements.

We also assessed whether the financial statements disclosures appropriately reflect the Company's exposure to credit risk.

The key audit matter

During 2020, to attract investments for subsequent financing of the housing investment projects as part of the state programme Nurly Zher, the Company issued debt securities with the total nominal value of KZT 500,000,000 thousand bearing the interest rate of 6.02% per annum. At initial recognition the debt securities issued were recognised at fair value measured by applying relevant market interest rates to discount the future contractual cash flows.

The difference between the fair value and the nominal value received of KZT 185,533,819 thousand was recognised as a government grant, which is subsequently amortised in profit or loss.

We focused on the estimate of the fair value of the debt securities issued due to significant judgment involved in arriving at the estimate.

How the matter was addressed in our audit

Our audit procedures included analysis of the management assessment whether the difference between the fair value and nominal value of the consideration received represent a government grant.

We compared the management's estimates of the market rates applied to calculate fair values of the debt securities issued at below-market rates and compared them to available market information.

We assessed the appropriateness of methods used to amortise government grants.

We also assessed whether the financial statement disclosures appropriately reflect the information in relation to government grants.

Government grants *

* Please refer to the Notes 3(r), 8, 14, 19 and 21 in the financial statements.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identi-

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Company'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 manage-

ment either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

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

are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

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

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

Assel Urdabayeva
Certified Auditor
of the Republic of
Kazakhstan
Auditor's Qualification

Certificate # МФ-0000096
of 27 August 2012

KPMG Audit LLC

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

Sergey Demytyev

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

1 March 2021

	Note	2020 '000 KZT	2019 '000 KZT
Interest income calculated using the effective interest rate method		53,266,655	11,308,769
Other interest income		11,217,728	9,077,209
Interest expenses		(40,285,767)	(7,939,001)
Net interest income	5	24,198,616	12,446,977
Fee and commission income		23,568	13,045
Fee and commission expenses		(375,219)	(285,583)
Net fee and commission expense		(351,651)	(272,538)
Net foreign exchange gain/(loss)		74,885	(4,719)
Net realised gain on investment securities measured at fair value through profit or loss		211,514	99,509
Net insurance premiums earned	7	297,481	-
Other operating income/(expenses)	8	3,982,027	(306,907)
Operating income		28,412,872	11,962,322
Impairment (losses)/gains on debt financial instruments	6	(7,040,718)	882,225
Provisions for guarantees issued	22	(9,483,772)	-
Personnel expenses	9	(1,865,938)	(1,528,295)
General and administrative expenses	10	(1,776,670)	(1,397,141)
Profit before income tax		8,245,774	9,919,111
Income tax expense	11	(2,194,096)	(1,327,345)
Profit and total comprehensive income for the year		6,051,678	8,591,766

The financial statements as set out on pages 8 to 77 were approved by management on 1 March 2021 and were signed on its behalf by:

A. B. Mukhamedzhanov
Chairman of the Management Board

B. D. Sagimkulova
Financial Director, member of Management Board

A. T. Toktarkozha
Chief Accountant

	Note	2020 '000 KZT	2019 '000 KZT
ASSETS			
Cash and cash equivalents	12	63,619,060	32,735,123
Placements with banks and other financial institutions	13	69,728,933	2,013,628
Investment securities:			
• measured at fair value through profit or loss	14	2,932,039	2,719,292
• measured at amortised cost	14	917,887,952	19,918,195
Loans to customers and long-term receivables from sales of real estate under instalment agreements	15	135,292,670	62,663,247
Finance lease receivables	16	164,270,564	143,791,036
Current tax asset		2,843,520	1,135,442
Advances paid for acquisition and construction of real estate		147,859	581,978
Assets to be transferred under finance lease agreements	17	4,121,178	2,274,682
Construction-in-progress	18	1,883,436	1,534,061
Property, plant and equipment		4,867,901	1,968,153
Investment property		5,834,999	187,421
Non-current assets held for sale		306,540	-
Other assets		1,201,557	1,183,936
Total assets		1,374,938,208	272,706,194
LIABILITIES			
Debt securities issued	19	738,066,735	67,683,718
Other borrowed funds	20	208,647,686	33,389,460
Government grants	21	197,563,476	98,052,131
Deferred income and provision for guarantees issued	22	13,456,567	-
Deferred tax liability	11	11,098,775	1,870,669
Other liabilities		5,853,535	2,617,680
Total liabilities		1,174,686,774	203,613,658

	Note	2020 '000 KZT	2019 '000 KZT
EQUITY	23		
Share capital		193,432,016	63,313,800
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,522)
Additional paid-in capital		3,389,392	5,822,856
Reserve capital		2,734,447	2,734,447
Accumulated losses/(retained earnings)		3,280,440	(193,706)
Total equity		200,251,434	69,092,536
Total equity and liabilities		1,374,938,208	272,706,194

	2020 '000 KZT	2019 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	24,598,328	15,384,760
Interest payments	(10,464,732)	(6,501,788)
Fee and commission receipts	29,608	12,870
Fee and commission payments	(373,783)	(255,471)
Other income receipts	657,993	369,779
Personnel expenses payments	(1,903,753)	(1,635,305)
General and administrative expenses payments	(1,796,779)	(1,322,393)
	10,746,882	6,052,452
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	(36,913,378)	459,270
Financial assets at fair value through profit or loss	9,675	2,003,151
Loans to customers and long-term receivables from sales of real estate under instalment agreements	401,647	(19,042,721)
Assets to be transferred under finance lease agreements	(3,769,760)	(1,889,871)
Construction-in-progress	(252,080)	(666,445)
Finance lease receivables	7,835,671	6,449,271
Other assets	1,309,910	761,708
Increase /(decrease) in operating liabilities		
Government grants	146,637	(340,297)
Deferred income on guarantees issued	216,499	-
Other liabilities	161,467	(163,128)
Net cash flows (used in)/from operating activities before income tax paid	(20,106,830)	(6,376,610)

	2020 '000 KZT	2019 '000 KZT
Income tax paid	(63,016)	(37,775)
Cash flows (used in) operating activities	(20,169,846)	(6,414,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities measured at amortised cost	(656,053,351)	(86,481,398)
Repayment of investment securities measured at amortised cost	190,066,288	79,500,000
Acquisition of property, plant and equipment and intangible assets	(2,573)	(245,843)
Proceeds from sale of investment property	16,189	297,954
Cash receipts due to merger (Note 27)	35,103,426	-
Cash flows used in investing activities	(430,870,021)	(6,929,287)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/redemption of debt securities issued	(16,507,000)	(10,000,000)
Proceeds from debt securities issued	500,479,994	11,425,002
Receipts of other borrowed funds	478,500	-
Dividends paid	(2,577,532)	(1,385,764)
Cash flows from financing activities	481,873,962	39,238
Net increase/(decrease) in cash and cash equivalents	30,834,095	(13,304,434)
Effect of changes in expected credit losses on cash and cash equivalents	13,540	139,339
Effect of movements in exchange rates on cash and cash equivalents	36,302	(3,172)
Cash and cash equivalents at beginning of the year	32,735,123	45,903,390
Cash and cash equivalents as at the end of the year (Note 12)	63,619,060	32,735,123

'000 KZT	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	(Accumulated losses)/retained earning	Total
Balance at 1 January 2019	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(7,399,708)	61,886,534
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	8,591,766	8,591,766
Transactions with owners recorded directly in equity							
Dividends declared and paid (Note 23 (b))	-	-	-	-	-	(1,385,764)	(1,385,764)
Balance at 31 December 2019	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(193,706)	69,092,536
Balance at 1 January 2020	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(193,706)	69,092,536
Total comprehensive income and profit for the year							
Profit and total comprehensive income for the year	-	-	-	-	-	6,051,678	6,051,678
Transactions with owners recorded directly in equity							
Dividends declared and paid (Note 23 (b))	-	-	-	-	-	(2,577,532)	(2,577,532)
Contributions to capital (issue of shares) due to business combinations (Note 27)	130,118,216	-	-	(2,433,464)	-	-	127,684,752
Balance as at 31 December 2020	193,432,016	12,661	(2,597,522)	3,389,392	2,734,447	3,280,440	200,251,434

1. REPORTING ENTITY

(a) Organisation and operations

Kazakhstan Housing Company JSC (the “Company”) was established on 29 December 2000 as Mortgage Organisation Kazakhstan Mortgage Company JSC in accordance with the Resolution No.469 of the National Bank of the Republic of Kazakhstan (the “NBRK”) dated 20 December 2000. The principal activity of the Company is extension of mortgage loans in accordance with the license for banking borrowing transactions issued by the authorised body. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

The Company is authorised to carry out the following activities:

- investment activity;
- financing and implementation of investment projects including by means of acquiring bonds issued by local executive bodies;
- conditional placements with the second-tier banks and extension of loans to other financial institutions;
- issue and placement of securities including bonds;
- lease of real estate properties including that with an option to purchase;
- granting guarantees for completion of the construction of a residential building, its commissioning in the event of a guarantee event and the transfer of shares in the residential building to equity holders;
- extending loans to an authorised organisation designated in accordance with the Law of the Republic of Kazakhstan “On Shared Participation in Housing Construction”, and to legal entities which carry out construction as part of public housing programs;
- subsidising a part of interest rate for mortgage loans issued by second-tier banks to individuals.

On 12 April 2010 the Company obtained a banking license No.5.1.69 to carry out banking lending transactions.

The activities of the Company are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan.

The Company’s registered office is Building 55A, Mangilik el Ave., Nur-Sultan, Z05T3E2, Republic of Kazakhstan.

As part of implementation of the order of the President of the Republic of Kazakhstan Kassym- Zhomart Tokayev dated 2 September 2019 to reduce the number of operators of the housing programmes, in accordance with the Order No. 156 dated 20 March 2020 of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, a decision was made to reorganise Mortgage Organisation

Kazakhstan Mortgage Company Joint Stock Company and Baiterek Development Joint Stock Company (“BD JSC”) and Housing Guarantee Fund JSC (“HGF JSC”) through the Company’s takeover of BD JSC and HGF JSC. In accordance with the transfer and acceptance acts of 30 July 2020 and 16 November 2020, the assets and liabilities of BD JSC and HGF JSC have been transferred respectively.

(b) Shareholders

As at 31 December 2020 and 31 December 2019 the Company is wholly-owned by the National Management Holding Baiterek JSC (the “Parent Company»). The party with ultimate control over the Company is the Government of the Republic of Kazakhstan.

(c) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, for the purpose of protection of life and health of the citizens, a decision was made, pursuant to the legislation of the Republic of Kazakhstan, to introduce the state of emergency throughout the Republic of Kazakhstan for the period from 16 March 2020 to 12 May 2020. During the state of emergency period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market.

Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers' income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

To continue as a going concern, the Company keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Company's premises.

As part of execution of Order of the Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 167 dated 26 March 2020 “On approval of the procedure of suspension of repayment of principal debt and interests on loans issued to individuals, small and medium-sized businesses that have suffered as a result of introduction of the state of emergency”, upon application of borrowers, the Company provided a deferment of payment for the period of duration of the state of emergency.

Taking into account the Company's current operational and financial performance along with other currently available public information, within the year ended 31 December 2020, the Company adjusted macroeconomic indicators in estimates of expected credit losses. However, management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Company in the medium and

longer term. The Company continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

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

2 BASIS OF ACCOUNTING

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting esti-

mates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

Information about critical judgments in applying accounting policies, that significantly affected the amounts reported in the financial statements is described in the following notes:

- key assumptions used to calculate provisions for financial guarantees — Note 23.
- key assumptions used to calculate provisions for contracts for securing construction projects — Note 23.

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL — Note 4.
- initial recognition of debt securities issued — Note 24.
- initial recognition of government grants — Note 21.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2019 and 31 December 2020 is included in the following notes:

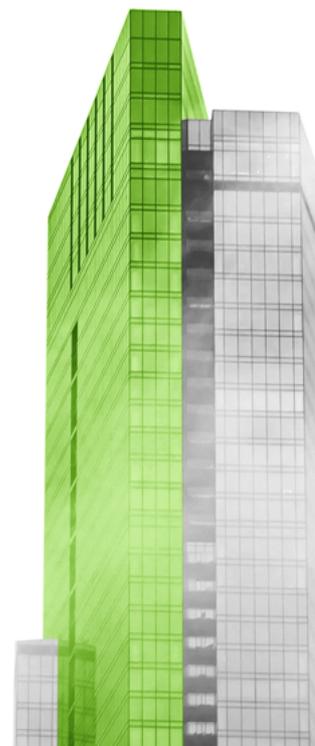
- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information — Note 4.
- impairment of loans to customers, long-term receivables for sales of real estate under instalment agreements, and finance lease receivables — Note 6, Note 13, Note 14.
- estimates of fair value of financial assets and liabilities — Note 28.

(d) Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

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

All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.



3 SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

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

exchange rate at the end of the reporting period.

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

Foreign currency differences arising in translation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Interest income and expenses

Effective interest rate

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

- the gross carrying amount of the financial asset; or

- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets,

a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective

interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

For information on when financial assets are credit-impaired, see Note 3(e)(iii).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Other interest income caption presented in the statement of profit or loss and other comprehensive income includes interest income from net investments in finance lease.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measured at amortised cost.

(d) Fees and commissions

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(c)).

Other fee and commission income — including account servicing fees, investment management fees, sales commission, placement fees and syndication fees — is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Company first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Financial assets and financial liabilities

(i) Classification

Financial assets

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

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL;
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

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

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

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

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

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

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

Reclassification

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

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or

in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities

designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in Note 3(e)(i). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are

not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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

Financial liabilities

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

(ii) Modification of financial assets and financial liabilities

Financial assets

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Company due to changes in the NBRK key rate, if the loan agreement entitles the Company to do so.

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualita-

tive factors, quantitative factors and combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Company analogises to the guidance on the derecognition of financial liabilities.

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

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

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

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses (see Note 3(e)(iii)). In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(c)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Company treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

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

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original

(iii) Impairment

See also Note 4.

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

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

No impairment loss is recognised on equity investments.

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

effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

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

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are

referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not

credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of expected credit losses

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

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

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e) (iii)) and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired (are referred to as 'Stage 3' financial assets). A financial asset is 'credit-impaired' when one or more events that have a det-

perimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for expected credit losses are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;

- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

- Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

This assessment is carried out at the individual asset level.

- Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

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

(f) Investment securities

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

- debt investment securities measured at amortised cost (see Note 3(e)(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see Note 3(e)(i)); these are measured at fair value with changes recognised immediately in profit or loss.

(g) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(h) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within other borrowed funds. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repurchase agreements within cash and cash equivalents. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method. If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

(j) Leases

At inception of a contract, the entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

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

(i) As a lessee

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

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

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

The lease liability is initially measured at the present value of the lease

payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for

early termination of a lease unless the Company is reasonably certain not to terminate early.

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

(ii) As a lessor

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

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

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

If an arrangement contains lease and non-lease components, then the

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

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

Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

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

(k) Foreclosed assets

Foreclosed assets are measured at the lower of cost or net realisable value. The cost of foreclosed assets is based on the specific identification principle, and recorded at net book value of the underlying loan or lease base at foreclosure date. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Property, plant and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

The estimated useful lives are as follows:

- Buildings 8–100 years;
- Computer equipment 2–10 years;
- Vehicles 5–7 years;
- Other assets 3–20 years.

(m) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 year for programme software to 20 years for licenses.

(n) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition of the asset. The estimated useful life of investment property is 60 years.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.



(o) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell.

(p) Inventories

Inventories include assets to be transferred under finance lease agreements and other inventory. Assets to be transferred under finance lease are real estate objects acquired by the Company and transferred to the lessees once the title of ownership on objects is obtained.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in

acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(q) Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generat-

ing unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

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

(r) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial

carrying value of the loan and the proceeds received.

Government grants that compensate the Company for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

Government grant liability on financing Nurly Zher Program will be utilised as far as discount on purchase of local executive bodies' bonds at a low interest rate is recognised, and a portion of government grant begins to be amortised within other operating expenses by the straight-line method during 20 years from the date finished flats are recorded on the Company's balance sheet.

(s) Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Such contracts are initially recognised at fair value. After initial recognition, such contracts are measured at the higher of the amount recognised as expected credit losses, and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

(t) Contracts for granting guarantees for construction projects

Contracts for granting guarantees for construction projects are aimed at guaranteeing the completion of the construction of a residential building, its commissioning in the event of a guarantee event (including bankruptcy of the developer) and the transfer of shares in the residential building to equity holders. The Company views contracts for the granting of guarantees for construction projects as insurance contracts and applied IFRS 4 Insurance Contracts in respect

of each contract separately, since the main characteristic of the activity is the future event, in the occurrence of which there is no certainty.

Agreements under which the Company assumes a significant insurance risk of the other party (hereinafter referred to as the "insured"), agreeing to complete the construction of the residential building upon occurrence of a warranty event and transfer of ownership shares in the residential



building to the housing equity holders. Insurance risk is the risk other than financial risk. Financial risk — a possible future change in one or more defined interest rates, the value of securities, commodity prices, the exchange rate, the price or interest rate index, the credit rating or the credit index, or other variables. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, the insurance case can lead to an obligation of the Company to make significant additional payments. After the contract is classified as an insurance contract, it remains so until all rights and obligations expire or are fulfilled.

(i) Recognition and measurement of contracts

Commission on guarantee agreements (insurance premium)

The guarantee contract comes into force from the date of payment of the guarantee fee. Deferred revenue under a guarantee contract for construction projects is formed under all existing contracts for the provision of guarantees for construction projects and represent the amount of unearned compensation at the settlement date. Amortization of commissions received is recognized as income.

Liabilities on insurance contracts

Obligations under insurance contracts include a reserve of incurred but not reported losses (IBNR reserve) and a reserve for reported, but not settled claims (RBNS).

IBNR is formed to recognise the estimated value of losses that occurred, but which have not yet been reported to the Company. In assessing the IBNR, the Company relies on its past experience, adjusted for existing trends, and external factors, as well as statistical forecasts.

Obligations under insurance contracts are terminated to be recognized when liabilities for payment of losses have expired, fulfilled or been cancelled.

(ii) Liability adequacy test

At each reporting date, the adequacy of obligations under insurance contracts is assessed using the existing test for adequacy of liabilities. The value of liabilities is adjusted to the extent that it is insufficient to meet future compensation payments and expenses. The test uses the best current estimates of future contractual cash flows, taking into account the cost of settlement of losses and the cost of administering the policy, as well as the investment return on the assets that provide such obligations. Any inconsistency is charged to the income statement through the creation of a provision for unexpired risks.

(u) Share capital

(v) Ordinary shares

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

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

The ability of the Company to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

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

(v) Taxation

Income tax comprises current and deferred tax.

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

Current tax is calculated on the basis of estimated amount of the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and the amount of the liabilities, occurred as a result of the income tax adjustment for the previous years.

Deferred tax assets and liabilities are recognised using balance sheet method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised in respect of temporary differences on the initial recognition of

assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

(w) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Company); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(x) Accounting for business combinations under common control

A merger of entities under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or parties, both before, and after the combination, and that control is not transitory.

The effect of business combinations under common control is accounted for by the Company using 'pooling of interests' method, provided that the assets and liabilities of the merging

entities are measured at their carrying values at the date of merger, the transaction costs related to the merger are expensed in the income statement, mutual balances are eliminated from the balance sheet, any difference between the purchase price paid/transferred and the net assets acquired (at their carrying values as disclosed in the financial statements) is recognised in equity.

(y) New standards and interpretations not yet adopted

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

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate.

When the basis for determining the contractual cash flows of a financial

instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

Other standards

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Onerous contracts — Cost of Fulfilling a Contract (Amendments to IAS 37).
- IFRS 17 Insurance Contracts.

4 FINANCIAL RISK REVIEW

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 24.

Credit risk — Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

Significant increase in credit risk

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

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

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

Credit risk grades

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

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

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

Corporate exposure	All exposures (corporate and retail exposures)
<ul style="list-style-type: none"> Information obtained during periodic review of borrower files — e.g. audited financial statements, management accounts, budgets and projections; 	<ul style="list-style-type: none"> Payment record — this includes overdue status;
<ul style="list-style-type: none"> Data from credit reference agencies, press articles, changes in external credit ratings; 	<ul style="list-style-type: none"> Requests for and granting of forbearance;
<ul style="list-style-type: none"> Quoted bond and credit default swap (CDS) prices for the issuer where available; 	<ul style="list-style-type: none"> Existing and forecast changes in business, financial and economic conditions.
<p>Actual and expected significant changes in the political, regulatory and technological environment</p>	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and borrower as well as by credit risk grading.

For some portfolios, information purchased from external credit reference agencies is also used.

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

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicator is likely to be GDP growth.

The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information (see discussion below on incorporation of forward-looking information). The

Company then uses these forecasts to adjust its estimates of PDs.

To determine the internal credit rating of a counterparty that does not have an external credit rating assigned by the international agencies Standard & Poor's, Fitch Ratings and Moody's Investors Service, the Company uses

expert judgement to determine the rating, taking into account the counterparty's specific characteristics including 10 factors such as profitability, liquidity, leverage, country risk, industry characteristics, nature of business, concentration risk, legal regulation, internal data and debts.

Determining whether credit risk has increased significantly

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

Using its expert credit judgement and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not other-

wise be fully reflected in its quantitative analysis on a timely basis.

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

Definition of default

The Company considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Company in full; or
- there is a delay in payments of 90 days and more as at the reporting date;
- there is a delay in payments of 7 days and more on interbank claims and securities as at the reporting date;
- the financial instrument has been restructured due to the borrower's financial difficulties, which resulted in decrease in the net present value of the operating cash flows by 10% and more;
- according to information from the publicly available information sources the counterparty is in the state of bankruptcy;
- the external credit rating of the financial instrument/counterparty is CC- (hereinafter according to the rating scales of Standard&Poor's, Moody's, etc.);
- at the current reporting date the Company has defaulted on another financial instrument of the counterparty;
- other indicators which evidence the counterparty's impaired ability to fulfil its financial liabilities to the Company and deterioration of the state of financial asset/ increased probability of fulfilment

by the Company of the contingent liabilities.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative — e.g. breaches of covenant;
- quantitative — e.g. overdue status and non-payment on another

obligation of the same issuer to the Company; and

- based on data developed internally and obtained from external sources.

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

Incorporating of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may

include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the Ministry of National Economy of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and selected private sector and academic forecasters.

Modified financial assets

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

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

- its remaining lifetime PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time). The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

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

modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(e)(iii)) /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

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

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

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

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

The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD.

Exposure at default represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

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

maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- financing program.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

'000 KZT	Exposure	External benchmarks used	
		PD	LGD
Cash and cash equivalents	63,619,060	Moody's default study Probability of default model	For local credit exposures LGD statistics is based on recovery after defaults of banks and financial institutions in Kazakhstan
Placements with banks and other financial institutions	69,728,933		
Investment securities measured at amortised cost	917,887,952		
Other financial assets	24,588		

5 NET INTEREST INCOME

	2020 '000 KZT	2019 '000 KZT
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Investment securities measured at amortised cost	38,061,990	2,137,620
Loans to customers and long-term receivables from the sale of real estate in instalments	10,898,226	6,145,347
Placements with banks and other financial institutions	2,389,114	1,209,255
Reverse repurchase agreements	1,192,664	1,222,915
Cash and cash equivalents	555,453	412,375
Other assets	169,208	181,257
	53,266,655	11,308,769
Other interest income		
Finance lease receivables	10,981,807	8,804,157
Investment securities measured at fair value through profit or loss	235,921	273,052
	11,217,728	9,077,209
Interest expense		
Debt securities issued	(32,276,294)	(5,662,460)
Other borrowed funds	(8,009,473)	(2,276,541)
	(40,285,767)	(7,939,001)
Net interest income	24,198,616	12,446,977

Interest income on finance lease receivables for the period ended 31 December 2020 comprises amortisation of government grants of KZT 5,776,796 thousand (2019: KZT 4,074,156 thousand) (Note 21).

6 (LOSSES)/INCOME ON IMPAIRMENT OF DEBT FINANCIAL INSTRUMENTS

7	2020 '000 KZT	2019 '000 KZT
Loans to customers and long-term receivables from the sale of real estate in instalments (Note 15)	(6,744,798)	297,210
Finance lease receivables (Note 16)	(1,101,053)	(183,789)
Cash and cash equivalents (Note 12)	13,540	139,339
Placements with banks and other financial institutions (Note 13)	(33,883)	68,117
Investment securities measured at amortised cost (Note 14)	849,142	(20,447)
Other assets	(23,666)	581,795
	(7,040,718)	882,225

7 NET INSURANCE PREMIUMS EARNED

	2020 '000 KZT	2019 '000 KZT
Fees under financial guarantee contracts for completion of construction (insurance premium)	297,364	-
Financial guarantee fees	117	-
	297,481	-

Fees under financial guarantee contracts for completion of construction recognised for the year ended 31 December 2020 arise from amortisation of fees received under guarantees related to construction companies, which are accounted for under IFRS 4 Insurance Contracts.

8 OTHER OPERATING INCOME/(EXPENSE)

	2020 '000 KZT	2019 '000 KZT
Loss on recognition of initial discount on acquired long-term securities (Note 14)	(173,672,899)	-
Income on use of government grants (Note 21)	177,661,633	-
Net loss arising from derecognition of financial assets measured at amortised cost	(27,967)	(42,594)
Investment property lease expenses	(315,619)	13,043
Investment property lease income	378,560	-
Net loss related to real estate operation	(85,606)	(372,642)
Other income	43,925	95,286
	3,982,027	(306,907)

During the reporting year the Company purchased local government bonds in the amount of KZT 23,232,554 thousand with maturity in 2022 (Note 14). On initial recognition, the difference between the fair value and the acquisition cost in the form of

discount amounted to KZT 3,927,826 thousand, which was compensated by the use of government grant in the equivalent amount. This discount and related grant are not included in the turnover in the table above.

9 PERSONNEL EXPENSES

	2020 '000 KZT	2019 '000 KZT
Employee compensation	1,673,624	1,385,634
Salary related taxes	192,314	142,661
	1,865,938	1,528,295

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 '000 KZT	2019 '000 KZT
Repair and maintenance of property, plant and equipment and intangible assets	374,537	196,164
Outsourcing expenses	239,921	137,970
Depreciation and amortisation	217,831	275,432
Social program expenses	205,792	179,828
Advertising and marketing	110,419	150,972
Consulting services	30,342	31,124
Rating assignment/supervision/maintenance expenses	45,657	36,995
Taxes other than income tax	69,884	83,047
Communication services	42,021	35,420
Auditor's fee	41,696	26,120
Transportation services	38,675	31,272
Business travel	25,372	37,200
Rent	24,490	19,058
Board of Directors expenses	19,196	20,553
Security	12,822	14,125
Information services	10,361	18,392
Supplies	10,920	19,936
Stationery and printing	8,148	2,183
Employee training and advanced training - external	6,380	21,934
Health and safety costs	2,678	-
State Center for Pension Payments' services expenses	2,207	1,934
Insurance expenses	537	518
Other	236,784	56,964
	1,776,670	1,397,141

11 INCOME TAX EXPENSE

	2020 '000 KZT	2019 '000 KZT
Current year tax expense	-	(1,058,141)
Underprovided in prior years	7,787	(2,827)
Movement in deferred tax assets/deferred tax liabilities due to origination and reversal of temporary differences and movement in valuation allowance	(2,201,883)	(266,377)
Total income tax expense	(2,194,096)	(1,327,345)

In 2020, the applicable tax rate for current and deferred tax was 20% (2019: 20%).

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

	2020 '000 KZT	%	2019 '000 KZT	%
Profit before income tax	8,245,774	100	9,919,111	100
Income tax at the applicable tax rate	(1,649,155)	(20)	(1,983,822)	(20)
Non-taxable interest income on securities	1,805,172	22	482,130	5
(Non-deductible impairment losses)/non-taxable income on reversal of allowance	(2,624,181)	(32)	117,003	1
Other non-deductible expenses	(35,887)	-	(74,981)	(1)
Accrual of unrecognised deferred tax assets as a result of business combination	366,332	4	-	-
Change in deferred tax asset for the previous year	(64,164)	(1)	135,152	1
Underprovided in prior years	7,787	-	(2,827)	-
	(2,194,096)	(27)	(1,327,345)	(14)

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets as at 31 December 2020 and 31 December 2019, respectively.

Deferred tax assets and liabilities

Movements in temporary differences for the year ended 31 December 2020 are presented as follows:

'000 KZT	1 January 2020	Recognised in profit or loss	Recognised as a result of business combination	31 December 2020
Property, plant and equipment	(7,262)	173,432	(323,746)	(157,576)
Non-current assets held for sale	-	(9,699)	172,911	163,212
Placements with banks and other financial institutions	49,773	(215,966)	1,738,665	1,572,472
Investment securities	-	31,263,894	24,061,739	55,325,633
Accounts receivables from instalment sales	-	(200,820)	4,401,097	4,200,277
Other assets	66,921	(33,553)		33,368
Loans issued	70,367	(298,099)	1,102,440	874,708
Other borrowed funds	(21,638,466)	1,669,098	(37,369,567)	(57,338,935)
Government grants	19,610,426	(1,909,876)	20,237,707	37,938,257
Bonds issued	(62,439)	(32,685,560)	(21,059,880)	(53,807,879)
Other liabilities	40,011	45,266	12,411	97,688
Tax loss carry-forwards	370,994	-	-	370,994
	(1,499,675)	(2,201,883)	(7,026,223)	(10,727,781)
Unrecognised deferred tax asset	(370,994)	-	-	(370,994)
	(1,870,669)	(2,201,883)	(7,026,223)	(11,098,775)

Movements in temporary differences for the year ended 31 December 2019 are presented as follows.

'000 KZT	1 January 2019	Recognised in profit or loss	31 December 2019
Property, plant and equipment	(76,183)	68,921	(7,262)
Other assets	19,357	47,564	66,921
Loans issued	41,580	28,787	70,367
Placements	-	49,773	49,773
Other borrowed funds	(22,052,229)	413,763	(21,638,466)
Government grants	20,425,257	(814,831)	19,610,426
Bonds issued	-	(62,439)	(62,439)
Other liabilities	37,926	2,085	40,011
Tax loss carry-forwards	370,994	-	370,994
	(1,233,298)	(266,377)	(1,499,675)
Unrecognised deferred tax asset	(370,994)	-	(370,994)
	(1,604,292)	(266,377)	(1,870,669)

12 CASH AND CASH EQUIVALENTS

'000 KZT	31 December 2020			Total
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	
Nostro accounts with the NBRK	19,698,384	-	-	19,698,384
Nostro accounts with other banks rated BBB-	14,229,684	-	-	14,229,684
rated BBB+	821,296	-	-	821,296
rated BB+	15,408	-	-	15,408
rated BB-	1,518	-	-	1,518
rated B+	1,043	-	-	1,043
rated B	26,434	-	-	26,434
rated B-	40	-	-	40
not rated	-	-	2,028,884	2,028,884
Total Nostro accounts with banks before impairment allowance	34,793,807	-	2,028,884	36,822,691
Total Nostro accounts with banks before impairment allowance	(30,543)	-	(2,028,884)	(2,059,427)
Loss allowance				
Reverse repurchase agreements Rated from BBB- to BBB+	28,855,796	-	-	28,855,796
Total cash and cash equivalents	63,619,060	-	-	63,619,060

'000 KZT	31 December 2019			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Total
Nostro accounts with the NBRK	437,861	-	-	437,861
Nostro accounts with other banks rated BBB-	2,824,961	-	-	2,824,961
rated BBB+	750,132	-	-	750,132
rated BB+	83,029	-	-	83,029
rated BB-	19,116	-	-	19,116
rated B+	386	-	-	386
rated B	27,565	-	-	27,565
rated B-	5,443	-	-	5,443
not rated	-	-	2,066,083	2,066,083
Total Nostro accounts with banks before impairment allowance	4,148,493	-	2,066,083	6,214,576
Loss allowance	(6,804)	-	(2,066,083)	(2,072,887)
Reverse repurchase agreements rated from AAA- to AAA+	4,206,527	-	-	4,206,527
rated from BBB- to BBB+	24,386,907	-	-	24,386,907
Total cash and cash equivalents	32,735,123	-	-	32,735,123

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

On 27 December 2016 the NBRK revoked the licence of Kazinvestbank JSC (KIB) citing its repeated failures to fulfil its payment operation liabilities. As at 31 December 2020 the Company considers the nostro account held

with KIB for the total amount of KZT 2,066,083 thousand fully impaired as based on its understanding of the KIB's current position and credit risk (31 December 2019: KZT 2,066,083 thousand).

As at 31 December 2020 the Company has no banks (2019: no banks), whose balances exceed 10% of equity (31 December 2019: KZT 0).

In 2020, the Company entered into reverse repurchase agreements with counterparties at Kazakhstan Stock Exchange (KASE). These transactions are collateralised with the treasury bills of the Ministry of Finance of the Republic of Kazakhstan, Eurasian Development Bank, and Kazakhstan Sustainability Fund JSC (Baspana Mortgage Organisation JSC) and with notes of the NBRK and International Finance Corporation (IFC). As at 31 December 2020 the fair value of financial assets collateralising reverse repurchase agreements is KZT 28,973,393 thousand (31 December 2019: KZT 29,653,837 thousand).

Analysis of movements in loss allowance

'000 KZT	Year ended 31 December 2020			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Total
Balance at 1 January	6,804	-	2,066,083	2,072,887
Net recovery of loss allowance	23,659	-	(37,199)	(13,540)
Foreign exchange and other movements	80	-	-	80
Balance at the end of the period	30,543	-	2,028,884	2,059,427

'000 KZT	Year ended 31 December 2019			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Total
Balance at 1 January	101,368	-	2,110,916	2,212,284
Net recovery of loss allowance	(94,506)	-	(44,833)	(139,339)
Foreign exchange and other movements	(58)	-	-	(58)
Impairment allowance as at the end of the period	6,804	-	2,066,083	2,072,887

13 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

'000 KZT	Year ended 31 December 2020			Total
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	
Current accounts with other banks				
rated BBB+	23,191,137	-	-	23,191,137
rated BBB-	16,020,245	-	-	16,020,245
rated BB+	30,689,567	-	-	30,689,567
rated BB-	-	-	143,473	143,473
	69,900,949	-	143,473	70,044,422
Impairment allowance	(172,016)	-	(143,473)	(315,489)
Impairment allowance as at the end of the period	69,728,933	-	-	69,728,933

'000 KZT	31 December 2019 12-month expected credit losses (ECL)
rated BBB+	564,716
rated BBB-	
rated BB+	1,452,694
rated BB-	-
	2,017,410
Loss allowance	(3,782)
Total placements with banks and other financial institutions	2,013,628

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

None of the balances of placements are past due.

As at 31 December 2020 the Company placed term deposits with annual interest rates of 8.50% and 9.00% (2019: 8.50%, 8.60% and 9.00%), which have maturities in March and December 2021 (2019: January, February and September 2020).

Increase in placements with banks and other financial institutions as at 31 December 2020 resulted from the merge of the Company with HCGF JSC and BD JSC, the assets and liabilities

of which were transferred under the certificates of ownership and merger.

The amount of unamortised discount recognised with respect to amounts due from banks and other financial institutions placed at the below-market interest rates as at 31 December 2020 was KZT 7,862,359 thousand. The amount included in interest income from due from banks and other financial institutions was KZT 683,158 thousand.

Analysis of movements in loss allowance

12-month expected credit losses (ECL)	2020 '000 KZT	2019 '000 KZT
Balance at 1 January	(3,782)	(71,899)
Net reversal /charge of impairment allowance	64,438	71,899
New financial assets originated or purchased	(98,321)	(3,782)
New financial assets originated or purchased as a result of the merge	(277,824)	-
Impairment allowance as at the end of the period	(315,489)	(3,782)

14 INVESTMENT SECURITIES

'000 KZT	31 December 2020	31 December 2019
Investment securities measured at fair value through profit or loss		
Corporate bonds rated from B- to B+	1,978,486	1,785,702
Corporate bonds not rated	953,553	933,590
	2,932,039	2,719,292

'000 KZT	31 December 2020			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit-impaired assets	Total
Investment securities measured at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,487,309	-	-	1,487,309
Notes of the National Bank of the RK	45,452,372	-	-	45,452,372
Corporate bonds of Fincraft Group LLP rated 'B'	10,983,015	68,519,028	-	68,519,028
Corporate bonds issued by second-tier banks rated 'B'			-	10,983,015
Bonds of local executive bodies (LEB)	793,148,574	-	-	793,148,574
Corporate bonds not rated	-	-	2,102,726	2,102,726
	851,071,270	68,519,028	2,102,726	921,693,024
Loss allowance	(1,702,346)	-	(2,102,726)	(3,805,072)
Carrying amount	849,368,924	68,519,028	-	917,887,952

'000 KZT	31 December 2019			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Total
Investment securities measured at amortised cost				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,494,714	-	-	1,494,714
Notes of the National Bank of the RK	7,457,807	-	-	7,457,807
Corporate bonds rated from B+ to B-	10,988,970	-	-	10,988,970
-not rated	-	-	2,102,726	2,102,726
	19,941,491	-	2,102,726	22,044,217
Loss allowance	(23,296)	-	(2,102,726)	(2,126,022)
Carrying amount	19,918,195	-	-	19,918,195

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

In accordance with the certificate of ownership and merger of 30 July 2020, as a result of the merger of DB JSC and the Company, the Company recognised on the balance sheet investment securities measured at amortised cost, transferred from DB JSC of carrying amount of KZT 556,349,483 thousand. These securities comprised bonds issued by the local executive bodies and Fincraft Group LLP. The bonds issued by the local executive bodies were accepted at the price of KZT 1,000 per unit, in the amount of 581,915,804 thousand; discount was KZT 117,770,171 thousand, calculated using annual market interest rates varying from 8.67% to 13.99%. The bonds issued by Fincraft Group LLP were transferred in the number of 65,000,000 with carrying amount

of KZT 65,150,763 thousand. On 24 December 2020 the issuer Fincraft Group LLP made a decision on partial repurchase of bonds, and on 5 January 2021 bonds of KZT 62,301,927 thousand were repurchased partially by the issuer.

Once Fincraft Group LLP has sold the part of its bonds in the organised securities market: ISIN: KZ2P00006190, consisting of 25,000,000 bonds of nominal value of KZT 25,000,000 thousand and ISIN: KZ2D00005949 consisting of 36,080,240 bonds of nominal value of KZT 36,080,240 thousand, the rest of the bonds in the Company's portfolio continue to be categorised into Stage 2, based on the Methodology for estimate of provisions, under which an asset is to be transferred from Stage 1 to Stage 2 upon expiry of a six-month rehabilitation period, during which there were not any indication that the credit risk of the counteragent had increased significantly.

In accordance with the certificate of ownership and merger of 16 November 2020, as a result of the merger with HCGF JSC, the Company recognised on the balance sheet investment securities measured at amortised cost, transferred from HCGF JSC of carrying amount of KZT 20,900,221 thousand. These securities comprised the notes of the National Bank of the Republic of Kazakhstan.

During the reporting year, the Company acquired 477,086,148 bonds of the local executive bodies at a price of KZT 1,000 per bond, which mature in the years of 2031 and 2032. The bond coupon rate is 6.10% p.a. The bonds were recognised at the fair value of KZT 303,413,250 thousand; a discount on initial recognition was KZT 173,672,898 thousand calculated using market interest rates ranging from 11.41% to 12.45% p.a.

During the reporting year, the Company acquired 23,232,554 bonds of the local executive bodies at a price of KZT 1,000 per bond, which mature in the year of 2022. The bond coupon rate is 0.35% p.a. The bonds were recognised at the fair value of KZT 19,304,728 thousand; a discount was KZT 3,927,826 thousand calculated using market interest rates ranging from 9.93% to 10.56% p.a.

During the reporting year ended 31 December 2020, the local execu-

tive bodies redeemed bonds of KZT 27,689,092 thousand in total. The discount recalculated following the early partial redemption of bonds by the local executive bodies was KZT 200,474 thousand.

Loss in the form of a discount of KZT 181,589,459 thousand on the difference between the nominal and fair values was offset by decreasing the liability on government grant that was obtained for purchasing these bonds, in the amount of KZT 185,533,819 thousand (Note 21).

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on Kazakhstan Stock Exchange (“KASE”), except for the bonds of Kazakhstan Kagazy JSC (“KK”) and “Corporation “APK Invest” LLC (“APK”) of gross value of KZT 1,117,796 thousand and KZT 984,930 thousand, respectively (31 December 2019: bonds of KK and APK of gross value of KZT 1,117,796 thousand and KZT 984,930 thousand, respectively). Bonds of KK and APK were delisted on KASE on 13 November 2015 and 4 July 2017, respectively. As at 31 December 2020 and 2019 the Company considers bonds fully impaired, as the Company believes, based on its assessment of the issuers’ financial position, that future cash flows are no longer expected to occur on these assets.

Analysis of movements in loss allowance

	For the year ended 31 December 2020		
	12-month expected credit losses (ECL)	Lifetime ECL on credit-impaired assets	'000 KZT
Balance at 1 January	23,296	2,102,726	2,126,022
Net remeasurement of loss allowance	(10,611)	-	(10,611)
New financial assets originated or purchased	(838,531)	-	(838,531)
New financial assets originated or purchased as a result of the merge	2,528,192	-	2,528,192
Impairment allowance as at the end of the period	1,702,346	2,102,726	3,805,072

	For the year ended 31 December 2019		
	12-month expected credit losses (ECL)	Lifetime ECL on credit-impaired assets	'000 KZT
Balance at 1 January	2,849	2,102,726	2,105,575
Net remeasurement of loss allowance	(191)	-	(191)
New financial assets originated or purchased	20,638	-	20,638
Impairment allowance as at the end of the period	23,296	2,102,726	2,126,022

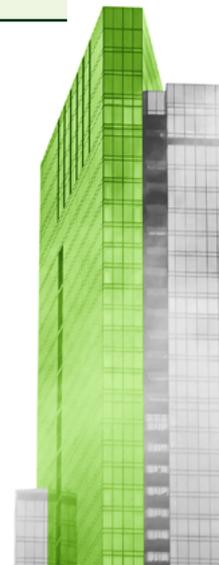
15 LOANS TO CUSTOMERS AND LONG-TERM RECEIVABLES FROM SALES OF PROPERTY UNDER INSTALMENT AGREEMENTS

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loan portfolio comprises KZT- and USD-denominated mortgage loans extended to individuals, citizens of the Republic of Kazakhstan.

	2020 '000 KZT	2019 '000 KZT
Loan from Yelorda Kurylys Company LLP	36,053,386	-
Long-term receivables from sale of property to legal entities under instalment agreements	31,601,023	-
Total loans and long-term receivables from sale of property to legal entities under instalment agreements	67,654,409	-
Mortgage loans to individuals	67,815,513	66,981,591
Long-term receivables from sale of property to individuals under instalment agreements	13,429,666	-
Total mortgage loans and long-term receivables from sale of property to individuals under instalment agreements	81,245,179	66,981,591
	148,899,588	66,981,591
Loss allowance	(13,606,918)	(4,318,344)
Loans to customers and long-term receivables from sale of property under instalment agreements, net of impairment allowance	135,292,670	62,663,247

During the year ended 31 December 2020 the Company has not acquired any mortgage loan portfolios (2019: acquired mortgage loan portfolios from two commercial banks amounting to KZT 23,746,429 thousand).

In accordance with the certificate of transfer dated 30 July 2020, the carrying amount of the target loan extended under the agreement between Yelorda Kurylys Company LLP and City Administration of Nur-Sultan city on allocation of funds from the National Fund of the Republic of Kazakhstan, was transferred in the amount of KZT 34,759,329 thousand.



(a) Credit quality of mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

The following table provides information on the credit quality of mortgage loans to customers as at 31 December 2020 and 31 December 2019:

'000 KZT	31 December 2020				Total
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Acquired assets credit-impaired on initial recognition	
• not overdue	64,623,435	2,632,082	4,576,212	131,903	71,963,632
• overdue up to 30 days	2,568,635	479,930	545,513	3,949	3,598,027
• overdue 30–89 days	-	996,112	375,084	11,581	1,382,777
• overdue 90–179 days	-	-	775,835	25,901	801,736
• overdue 180–360 days	-	-	816,450	11,276	827,726
• overdue more than 360 days	-	-	2,666,995	4,286	2,671,281
	67,192,070	4,108,124	9,756,089	188,896	81,245,179
Loss allowance	(3,938,914)	(473,743)	(3,970,716)	(188,896)	(8,572,269)
Carrying amount	63,253,156	3,634,381	5,785,373	-	72,672,910

'000 KZT	31 December 2019				
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Acquired assets credit-impaired on initial recognition	Total
• not overdue	58,132,344	667,173	1,306,676	144,605	60,250,798
• overdue up to 30 days	1,796,065	-	225,443	1,475	2,022,983
• overdue 30–89 days	-	847,345	158,023	4,359	1,009,727
• overdue 90–179 days	-	-	554,486	1,257	555,743
• overdue 180–360 days	-	-	70,793	-	70,793
• overdue more than 360 days	-	-	3,071,547	-	3,071,547
	59,928,409	1,514,518	5,386,968	151,696	66,981,591
Loss allowance	(614,135)	(209,234)	(3,343,279)	(151,696)	(4,318,344)
Carrying amount	59,314,274	1,305,284	2,043,689	-	62,663,247

As at 31 December 2020, the carrying amount of loans with the seller's full- and partial-recourse option were KZT 10,842,108 thousand and KZT 436,972 thousand, respectively (31 December 2019: KZT 23,668,110 thousand and KZT 5,661,955 thousand, respectively).

In accordance with partial-recourse agreements, the recourse option does not exceed 20% of the total principal amount of mortgage loans at the date of purchase of those loans.

(b) Analysis of movements in loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

Movements in the loss allowance are as follows:

	For the year ended 31 December 2020				
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	POCI	Total, '000 KZT
Balance at the beginning of the period	614,136	209,234	3,343,279	151,696	4,318,345
Transfer to Stage 1	71,437	(23,371)	(48,066)	-	-
Transfer to Stage 2	(28,029)	31,498	(3,469)	-	-
Transfer to Stage 3	(81,903)	(74,273)	156,176	-	-
Net remeasurement of loss allowance	2,679,936	(118,365)	532,824	(358)	3,094,037
New financial assets originated or purchased	1,155,880	-	-	37,220	1,193,100
Originated as a result of the merger with BD JSC (Note 27)	3,834	9,442	38,035	-	51,311
Transfers of new originated loans to other stages	(476,712)	439,672	37,040	-	-
Write-off	-	-	(127,011)	-	(127,011)
Unwinding of discount/ other changes	335	(94)	41,908	338	42,487
Balance at the end of the period	3,938,914	473,743	3,970,716	188,896	8,572,269

	For the year ended 31 December 2019				
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	POCI	Total, '000 KZT
Balance at the beginning of the period	651,134	59,750	3,975,827	-	4,686,711
Transfer to Stage 1	5,187	(2,590)	(2,597)	-	-
Transfer to Stage 2	(32,783)	54,971	(22,188)	-	-
Transfer to Stage 3	(7,801)	(8,489)	16,290	-	-
Net remeasurement of loss allowance	(393,262)	99,177	(564,589)	-	(858,674)
New financial assets originated or purchased	409,768	-	-	151,696	561,464
Transfers of new originated loans to other stages	(18,054)	6,203	11,851	-	-
Write-off	-	-	(159,047)	-	(159,047)
Foreign currency translation differences	(54)	-	-	-	(54)
Unwinding of discount	-	212	87,732	-	87,944
Balance at the end of the period	614,135	209,234	3,343,279	151,696	4,318,344

The significant changes in the gross carrying amount of the mortgage portfolio and long-term receivables from sale of property to individuals under instalment agreements are further explained below:

'000 KZT	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	59,928,409	1,514,518	5,386,968	151,696	66,981,591
• Transfer to Stage 1	772,398	(466,534)	(305,864)	-	-
• Transfer to Stage 2	(2,068,325)	2,117,134	(48,809)	-	-
• Transfer to Stage 3	(4,213,832)	(458,095)	4,671,927	-	-
New financial assets originated or purchased	16,793,033	-	-	37,859	16,830,892
Originated as a result of the merger with BD JSC (Note 27)	12,075,768	1,452,749	235,739	-	13,764,256
Transfers of new loans originated or purchased between stages	(802,637)	327,786	474,851	-	-
Repayments (early or partial repayment)	(15,293,088)	(379,340)	(700,631)	(997)	(16,374,056)
Unwinding of discount	344	(94)	41,908	338	42,496
Balance at 31 December	67,192,070	4,108,124	9,756,089	188,896	81,245,179

'000 KZT	2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	40,221,881	572,732	6,958,661	-	47,753,274
• Transfer to Stage 1	490,162	(228,644)	(261,518)	-	-
• Transfer to Stage 2	(1,034,144)	1,177,677	(143,533)	-	-
• Transfer to Stage 3	(343,167)	(70,232)	261,703	151,696	-
New financial assets originated or purchased	32,563,048	-	-	-	32,563,048
Transfers of new originated loans to other stages	(590,555)	261,326	329,229	-	-
Repayments (early or partial repayment)	(11,378,816)	(198,553)	(1,686,259)	-	(13,263,628)
Write-offs	-	-	(159,047)	-	(159,047)
Unwinding of discount	-	212	87,732	-	87,944
Balance at 31 December	59,928,409	1,514,518	5,386,968	151,696	66,981,591

(c) Analysis of collateral of mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

Mortgage loans are secured by the underlying housing real estate.

For loans with the seller's recourse option, the commercial banks-partners are responsible for monitoring of collateral on a periodic basis according to the requirements of the NBRK. The recoverability of these loans is primarily dependent on the creditworthiness of the commercial banks-partners rather than the value of collateral, and the current value of the collateral has lesser impact on the impairment assessment.

The following tables provide information on the fair value of collateral securing mortgage loans (net of impairment allowance):

'000 KZT	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
31 December 2020				
Not overdue loans	66,867,046	60,941,514	2,394,154	3,531,378
Overdue loans	5,805,864	2,488,519	1,160,607	2,156,738
	72,672,910	63,430,033	3,554,761	5,688,116
31 December 2019				
Not overdue loans	59,181,074	35,362,320	44,922	23,773,832
Overdue loans	3,482,173	2,785,484	-	696,689
	62,663,247	38,147,804	44,922	24,470,521

The tables above exclude overcollateralisation.

The Company updates the appraised values of collateral obtained at inception of the loan to the present value considering the approximate changes in property values. The Company may also obtain a specific individual valuation of collateral at each reporting date where there are indications of impairment.

Repossessed collateral

The Company obtains certain assets by taking possession of collateral for loans to retail customers. As at 31 December 2020, the carrying amount of such assets was KZT 222,755 thousand (2019: KZT 606,257 thousand).

The Company's policy is to sell these assets within a very short time.

(d) Credit quality of loans to customers and long-term receivables from sale of property to legal entities under instalment agreements

	Stage 1	Stage 2	Stage 3	Total
Loans issued				
Yelorda Kurylys Companiyasy LLP — internally rated CCC	36,053,386	-	-	36,053,386
Receivables under instalment agreements				
Mega Plaza LLP — internally rated CCC	-	27,245,018	-	27,245,018
Long-term receivables from sale of apartments located on the grounds of ISE EXPO-2017				
Association of Legal Entities “Combat and Strength Sports Confederation” — internally rated BBB	1,375,619	-	-	1,375,619
Astana IT University LLP — internally rated CCC	2,479,006	-	-	2,479,006
The non-profit organisation Omit Fund- internally rated D	-	-	501,380	501,380
Total loans issued and receivables from sale of property under instalment agreements	39,908,011	27,245,018	501,380	67,654,409
Loss allowance	(2,553,827)	(2,261,569)	(219,253)	(5,034,649)
	37,354,184	24,983,449	282,127	62,619,760

During the period from the date of merge of BD JSC and the Company to 31 December 2020, Mega Plaza LLP repaid principal and interest of KZT 1,357,077 thousand. During 2020, prior to the date of merge with BD JSC, Mega Plaza LLP completed two (2) tranches of KZT 1,500,000 thousand of early repayment of the loan principal amount and two (2) tranches of KZT 1,250,000 thousand of repayment according to debt repayment schedule.

During the year, for the loan issued to Mega Plaza LLP, a 1-year grace period was granted for repayment of interest of KZT 578,318 thousand due to the restrictions brought about by coronavirus which limited the operations of the shopping centres. As at 31 December 2020, Mega Plaza LLP early repaid the debt within the grace period provided.

Sale of apartments located on the grounds of ISE EXPO-2017 to individuals and legal entities under instalment agreements provides for that long-term receivables are secured by the sold real estate (apartments, parking lots) registered as collateral.

Sale to individuals on the by-instalments basis is subject to the following terms: an initial contribution makes up at least 20% of the loan value; a guarantee deposit makes up at least three monthly payments; a loan carries an annual interest rate of 3% and matures in 12 years; the contract provides for a partial early repayment and full early repayment of the loan, without a commission fee being charged.

Sale to legal entities on the by-instalments basis is subject to the following terms: a loan carries an annual interest rate of 2% and matures in 10 years; the contract provides for a partial early repayment and full early repayment of the loan, without a commission fee being charged.

To discount cash flows from instalment agreements concluded with individuals, the Company uses an average interest rate applied by second-tier banks for mortgage loans to individuals, using a market interest rate of 14.3% on initial recognition.

To discount cash flows from instalment agreements concluded with legal entities, the Company uses the statistics of the RSE "National Bank of the RK" on long-term loans issued to banks, by types of economic activities carried on in education for August 2019 and uses a market interest rate of 14.02% on initial recognition.

After the merge of BD JSC with the Company, the special-purpose loan agreements signed by and between Yelorda Kurylys Kompaniyasy LLP and the City Administration of Nur-Sultan city, intended to allocate funds from the National Fund of the Republic of Kazakhstan for financing the completion of the troubled housing construction projects in Nur-Sultan under the Nurly Zher Programme, were transferred to the Company. The City Administration of Nur-Sultan city (Akimat) guarantees the performance of obligations by Yelorda Kurylys Kompaniyasy LLP to the Company under the special-purpose loan agreement, including repayment of principal amount and interest.

As at 31 December 2020, loans issued and long-term receivables from legal entities were not overdue, except long-term receivables from NCO Umit Fund of KZT 501,380 thousand overdue 118 days (31 December 2019: none of long-term receivables were overdue).

The loan issued to Mega Plaza LLP was secured by real estate (shopping and entertainment centre in Nur-Sultan city), which market value exceeded the loan carrying amount.

The movement in balances of loss allowance for loans issued and receivables from sale of property to legal entities under instalment agreements are as follows:

'000 KZT	31 December 2020			
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime impaired assets	Total
Loans and long-term receivables from sale of property to legal entities under instalment agreements				
Balance at the beginning of the year	-	-	-	-
Originated as a result of the merger with BD JSC (Note 27)	90,303	2,486,685	-	2,576,988
Net remeasurement of loss allowance	2,463,525	(225,116)	219,252	2,457,661
Balance at the end of the year	2,553,828	2,261,569	219,252	5,034,649

Key assumptions and judgments used to estimate loss allowance for loans and long-term receivables from sale of property to legal entities under instalment agreements

At the reporting date, the calculations of expected credit losses of the Company were adjusted as follows:

1. Management performed quality and quantity analysis of transfer of financial assets from Stage 1 to Stage 2, taking into account the deferral of payments provided under instalment agreements under the Nurly Zher Programme, which resulted in significant increase in the amount

of expected credit losses on the assets at Stage 2.

2. Considering the current economic situation and the adverse impact expected from the spread of COVID-19, the Company calibrated the PDs of all financial assets for macroeconomic factors, taking into account the scenario analysis based on forecast macroeconomic data.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based on the information from external sources.

External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the NBRK and Ministry of National Economy, and selected private sector and academic forecasters.

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

These key drivers are GDP forecasts, change in unemployment rates and other economic factors. The economic scenarios used as at 31 December 2020 were based on the key indicator values projected for Kazakhstan for the years 2021–2024.

	2021	2022	2023
GDP growth	Base Scenario — 3.4%	Base Scenario — 4.0%	Base Scenario — 4.6%

Considering the Company's limited historical data on default rates, the Company used data from rating agencies as inputs for the economic scenarios. Scenarios are regularly reviewed and are used to assess credit risk grades.

Projected ratios of key indicators, default events and loss rates on various portfolios of financial assets have been developed based on the rating agencies' studies over the past 30–40 years.

(e) Asset securitisation

The amount of principal of loans to customers or loans purchased from counter-agents of KZT 7,588,178 thousand in 2019: serves as collateral for debt securities issued by the Company. During 2020, secured debt securities were redeemed.

As at 31 December 2019, the carrying amount of these debt securities is KZT 6,560,590 thousand (Note 19).

(f) Loan maturities

The maturity of the Bank's loan portfolio as at the reporting date is presented in Note 24(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

16 FINANCE LEASE RECEIVABLES

The components of net investments in finance lease as at 31 December 2020 and 2019 and are as follows:

'000 KZT	31 December 2020	31 December 2019
Less than 1 year	13,358,281	10,777,612
From 1 to 2 years	13,340,144	10,966,770
From 2 to 3 years	13,327,935	10,966,455
From 3 to 4 years	13,326,316	10,964,345
From 4 to 5 years	13,317,062	10,964,036
More than 5 years	146,913,557	133,125,436
Minimum lease payments	213,583,295	187,764,655
Less unearned finance income:		
Less than 1 year	(4,750,055)	(4,240,135)
From 1 to 5 years	(18,103,166)	(15,923,361)
More than 5 years	(23,237,423)	(22,895,859)
Less unearned finance income	(46,090,644)	(43,059,355)
Less impairment allowance	(3,222,087)	(914,264)
Net investment in finance lease	164,270,564	143,791,036

The Company leases out housing real estate under Nurly Zher Programme and Own Programme.

These lease agreements are classified as finance lease under IFRS 16 because ownership of the assets gets transferred to lessees by the end of the lease term, and at the inception the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

The finance lease agreements under Own Programme have a maturity term of up to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements for Nurly Zher Programme have a maturity term of 20 years and monthly lease payments limited to KZT 1,120 per square meter for Almaty and Astana cities and KZT 924 per square meter in other regions. The interest rate implicit in the lease agreements under Nurly Zher Programme is 3.1%.

In accordance with the certificate of transfer dated 30 July 2020, the balances of finance lease receivables under finance lease contracts with individuals and legal entities, were transferred in the amount of KZT 22,719,257 thousand.

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of impairment allowance, as at 31 December 2020 and 2019, by types of collateral.

'000 KZT	Carrying amount of loans to customers	Fair value of collateral: for collateral assessed as of reporting date	Fair value of collateral: for collateral assessed as of loan inception date	Fair value of collateral not determined
31 December 2020				
Not overdue loans	144,498,673	144,498,673	-	-
Overdue loans	19,771,891	19,771,891	-	-
	164,270,564	164,270,564	-	-
31 December 2019				
Not overdue loans	130,016,780	130,016,780	-	-
Overdue loans	13,774,256	13,774,256	-	-
	143,791,036	143,791,036	-	-

The tables above exclude overcollateralisation.

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

The recoverability of finance lease receivables which are neither past due nor impaired primarily depends on the creditworthiness of lessees rather than the value of collateral, and the Company does not necessarily update the valuation of collateral as at each reporting date.

(a) Credit quality of finance lease receivables

The following table provides information on the credit quality of finance lease receivables as at 31 December 2020 and 31 December 2019:

'000 KZT	31 December 2020			Total
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	
• not overdue	134,125,996	7,975,763	4,307,012	146,408,771
• overdue up to 30 days	8,323,029	467,529	570,717	9,361,275
• overdue 30-89 days	-	3,688,146	1,695,985	5,384,131
• overdue 90-179 days	-	-	2,520,849	2,520,849
• overdue 180-360 days	-	-	2,479,275	2,479,275
• overdue more than 360 days	-	-	1,338,350	1,338,350
	142,449,025	12,131,438	12,912,188	167,492,651
Loss allowance	(913,399)	(1,109,071)	(1,199,617)	(3,222,087)
Carrying amount	141,535,626	11,022,367	11,712,571	164,270,564

'000 KZT	31 December 2019			
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	Total
• not overdue	130,517,860	369,758	111,576	130,999,194
• overdue up to 30 days	8,623,626	103,576	-	8,727,202
• overdue 30–89 days	-	3,151,461	8,182	3,159,643
• overdue 90–179 days	-	-	1,110,569	1,110,569
• overdue 180–360 days	-	-	555,673	555,673
• overdue more than 360 days	-	-	153,019	153,019
	139,141,486	3,624,795	1,939,019	144,705,300
Loss allowance	(311,070)	(391,984)	(211,210)	(914,264)
Carrying amount	138,830,416	3,232,811	1,727,809	143,791,036

Analysis of movements in loss allowance

Movement in the allowance for finance lease receivables in 3 stages, as at the beginning and end of the period is as follows:

	2020			Total
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	
Balance at the beginning of the year	311,070	391,984	211,210	914,264
Transfer to Stage 1	16,771	(13,048)	(3,723)	-
Transfer to Stage 2	(11,820)	44,408	(32,588)	-
Transfer to Stage 3	(7,804)	(119,557)	127,361	-
Net remeasurement of loss allowance	551,620	563,806	(51,827)	1,063,599
New financial assets originated or purchased	33,229	3,419	806	37,454
Allowance on the date of merge with BD JSC	20,202	243,052	942,668	1,205,922
Other changes	131	(4,993)	5,710	848
Balance at the end of the year	913,399	1,109,071	1,199,617	3,222,087

	2019			Total
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	
Balance at the beginning of the year	226,125	393,335	105,777	725,237
Transfer to Stage 1	6,750	(5,966)	(784)	-
Transfer to Stage 2	(280,753)	303,392	(22,639)	-
Transfer to Stage 3	(94,831)	(68,629)	163,460	-
Net remeasurement of loss allowance	433,178	(233,025)	(39,853)	160,300
New financial assets originated or purchased	19,715	2,854	920	23,489
Other changes	886	23	4,329	5,238
Balance at the end of the year	311,070	391,984	211,210	914,264

Significant changes in gross carrying amount of finance lease receivables are as follows:

'000 KZT	2020			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	139,141,485	3,624,795	1,939,019	144,705,299
Transfer to Stage 1	2,027,866	(1,543,682)	(484,184)	-
Transfer to Stage 2	(4,528,579)	4,895,499	(366,920)	-
Transfer to Stage 3	(2,801,538)	(1,126,717)	3,928,255	-
New financial assets originated or purchased	5,042,482	247,943	1,040,680	6,331,105
On the date of merge with BD JSC	10,200,397	6,755,970	6,968,877	23,925,244
Derecognised financial assets	(6,632,334)	(722,591)	(114,553)	(7,469,478)
Other changes	(755)	221	1,016	482
Balance at 31 December	142,449,024	12,131,438	12,912,190	167,492,652

'000 KZT	2019			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	136,561,311	4,169,001	1,148,021	141,878,333
Transfer to Stage 1	2,843,129	(2,510,362)	(332,767)	-
Transfer to Stage 2	(2,463,992)	2,706,108	(242,116)	-
Transfer to Stage 3	(877,853)	(559,348)	1,437,201	-
New financial assets originated or purchased	9,256,647	38,296	12,341	9,307,284
Derecognised financial assets	(6,178,643)	(218,922)	(87,990)	(6,485,555)
Other changes	886	23	4,329	5,238
Balance at 31 December	139,141,485	3,624,796	1,939,019	144,705,300

17 ASSETS TO BE TRANSFERRED UNDER FINANCE LEASE AGREEMENTS

Assets to be transferred under finance lease contracts comprise the residential complexes purchased by the Company during the reporting period which the Company is planning to transfer to the lessees in 2021.

The major portion of the assets relates to assets to be transferred under Nurly Zher Programme.

During 2020, the largest micro-district housing complexes acquired by the Company are located in the cities of: Nur-Sultan and Karaganda, of KZT 2,652,601 thousand (in 2019: micro-district housing complexes located in the cities of Aktau, Kostanay, and Aktobe, of KZT 1,482,688 thousand).

18 CONSTRUCTION-IN-PROGRESS

Construction-in-progress comprises capitalised costs incurred by the Company under the construction projects of residential real estate in different regions of Kazakhstan as part of implementation of the state and government programmes adopted earlier (the Housing Construction Programme Nurly Zher adopted in accordance with the Decree No. 372 of the Government of the RK dated 22 June 2018, the State Programme of Infrastructure Development 'Nurly Zhol' for 2015–2019 adopted in accordance with the Edict of the President of the RK No. 1030 dated 6 April 2015, the Regions Development Programme till 2020 approved by the Decree No. 728 of the Government of the Republic of Kazakhstan dated 28 June 2014), integrated with the Nurly Zher

Housing Construction Programme and the State Programme for Housing and Communal Development "Nurly Zher" for 2020–2025 approved by the Decree No.1054 of the Government of the Republic of Kazakhstan dated 31 December 2019 (the "programme"). The Company lease out the constructed housing estate in accordance with the terms established by the Nurly Zher Programme, through signing the finance lease contracts.

As at 31 December 2020, the large construction project is the project located in the 14th micro-district of Karaganda city worth KZT 1,099,726 thousand (2019: the large construction project is the project located in the 14th micro-district of Karaganda city, worth KZT 1,099,726 thousand).



19 DEBT SECURITIES ISSUED

Debt securities issued as at 31 December 2020 and 2019 comprised KZT- denominated bonds.

Issue	Maturity date	Nominal coupon rate	Effective rate	2020 '000 KZT	2019 '000 KZT
KZ2C00006641	09.04.2022	4.05%	13.99%	162,297,012	-
KZ2C00006807	25.06.2030	6.02%	12.94%	132,772,391	-
KZ2C00006815	14.08.2031	6.02%	12.45%	130,781,398	-
KZ2C00007094	29.12.2032	6.02%	11.41%	65,683,297	-
KZ2C00006823	22.10.2032	6.02%	12.17%	63,552,860	-
KZ2C00006831	22.10.2032	6.02%	12.17%	63,552,859	-
KZ2C00005973	28.06.2029	9.75%	10.35%	41,982,500	-
KZ2COY10F013/ KZ2C00003333	15.12.2027	10.50%	9.97%	30,433,345	30,461,640
KZ2C00006179	29.08.2029	10.00%	10.12%	25,847,222	-
KZX000000054	28.12.2033	9.58%	9.58%	20,973,967	20,015,967
KZ2C00004356/ KZ2COY20F889	21.06.2049	2.99%	10.14%	170,880	281,963
KZ2C00004349	06.08.2050	0.10%	12.41%	19,004	-
KZ2COY07E517/ KZ2C00002160	26.07.2020	8.5%	8.51%	-	10,363,558
KZ2COY08E218/ KZ2C00001741	02.04.2020	7.00%	10.87%	-	6,560,590
				738,066,735	67,683,718

During the year ended 31 December 2020, with a view to attracting investments to support the entrepreneurship and ensure stability in the labour market, as part of implementation of the Employment Roadmap for 2020–2021, the Company issued 500,000,000 bonds traded at Kazakhstan Stock Exchange (KASE), at the price of KZT 1,000 per bond, with maturities from 11 to 12 years. The bonds were recognised on the Company's balance sheet at fair value of KZT 314,466,181 thousand, calculated using market rates ranging from 11.41% to 12.45% per annum, where the difference between nom-

inal and fair values of KZT 185,533,819 thousand was recognised as a government grant; the sum of KZT 177,661,633 thousand was used to buy bonds issued by the local executive bodies, and the sum of KZT 7,872,186 thousand continued to be presented in the recognised government grants, which are planned to be used in 2021 (Note 21). The bond coupon rate is 6.02% p.a. Interest is paid once a year.

In accordance with the bond issue prospects, the Company repaid the principal amount of issued securities of KZT 16,507,000 thousand.

20 OTHER BORROWED FUNDS

	2020 '000 KZT	2019 '000 KZT
Loan from the National Management Holding "Baiterek" JSC	203,134,956	28,466,442
Due to the Government of the Republic of Kazakhstan	5,308,951	4,923,018
Due to Akimat of Nur-Sultan city	203,779	-
	208,647,686	33,389,460

As at 31 December 2020 and 31 December 2019, other borrowed funds comprised loans from the NMC "Baiterek" JSC received under the State Programme of Infrastructure Development "Nurly Zhol" for 2015–2019 adopted in accordance with the Edict of the President of the RK dated 6 April 2015, No.1030, and "Regions Development Programme till 2020" approved by the Decree No. 728 of the Government of the Republic of Kazakhstan dated 28 June 2014, which were integrated with the Programme of Housing Construction "Nurly Zher" with regard to construction and acquisition of the leased and credit housing properties. As set out in the Nurly

Zher programme, the purpose of the loans is to finance construction and acquisition of housing real estate to be further leased out under finance lease contracts. The loans bear a nominal interest rate of 0.15% per annum and mature in January 2045, January 2046 and June 2046. The principal is repayable at maturity. At initial recognition these loans were recognised at fair value calculated by discounting the contractual future cash flows on the loans, applying appropriate estimated market interest rates ranging from 6.9% to 8.0%. The discount on these loans was recognised as government grant (Note 21).

Amounts due to the Government of the Republic of Kazakhstan consist of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second-tier banks. The loan carries a nominal interest rate of 0.1% per annum with principal repayable at maturity in December 2027. The fair value of the loan at initial recognition was estimated by discounting the contractual future cash flows of the loan using management's estimate of a long-term market borrowing rate for the Company of 8% p.a.

In December 2020, in accordance with the loan agreement concluded

between Akimat of Nur-Sultan city and the Company worth KZT 478,500 thousand, intended for purchase of apartments in Makhabbat-2 Residential Estate, for further on-credit sale of apartments to individuals at the interest rate of 3.1%. The loan carries a nominal interest rate of 0.15% per annum and matures in December 2037.

The loan was recognised on the Company's balance sheet at fair value of KZT 203,456 thousand, calculated using the market rate of 10.13% per annum, and the difference of KZT 275,044 thousand between nominal and fair values was recognised as a government grant (Note 21).

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2020:

'000 KZT	Liabilities		Total
	Debt securities issued	Other borrowed funds	
Balance at 1 January 2020	67,683,718	33,389,460	101,073,178
Changes from financing cash flows			
Proceeds from issue of debt securities	500,479,994	478,500	500,958,494
Repurchase/repayment of debt securities issued	(16,507,000)	-	(16,507,000)
Total changes from financing cash flows	483,972,994	478,500	484,451,494
Interest expense	32,276,294	8,009,473	40,285,767
Proceeds from the merger (Note 27)	349,766,392	167,474,423	517,240,815
Interest paid	(10,098,844)	(429,126)	(10,527,970)
Difference arising on initial recognition of financial instruments at the above-market/ below-market rates	(185,533,819)	(275,044)	(185,808,863)
Balance at 31 December 2020	738,066,735	208,647,686	946,714,421

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2019:

'000 KZT	Liabilities		Total
	Debt securities issued	Other borrowed funds	
Balance at 1 January 2019	66,920,124	31,320,645	98,240,769
Changes from financing cash flows			
Proceeds from issue of debt securities	11,425,002	-	11,425,002
Repurchase /repayment of debt securities issued	(10,000,000)	-	(10,000,000)
Total changes from financing cash flows	1,425,002	-	1,425,002
Interest expense	5,662,460	2,276,541	7,939,001
Interest paid	(6,323,868)	(207,726)	(6,531,594)
Balance at 31 December 2019	67,683,718	33,389,460	101,073,178

21 GOVERNMENT GRANTS

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	98,052,131	102,126,287
Origination of a grant for the loan from Akimat of Nur-Sultan city (Note 20)	275,044	-
Origination of a government grant in the form of discount on debt securities issued (Note 19)	185,533,819	-
Utilisation of a government grant for bonds of local executive bodies (Note 14)	(181,589,459)	-
Discount recalculated due to early partial redemption of bonds by the local executive bodies (Note 14)	200,474	-
Government grants originated on loans issued at lower interest rates during the period as a result of the merge (Note 27)	100,868,263	-
Amortisation for the year	(5,776,796)	(4,074,156)
Balance at the end of the year	197,563,476	98,052,131

A government grants originated on the loan issued at a soft lending rate to purchase property item was KZT 275,044 thousand.

Government grant liabilities on financing Nurdy Zher Programme and Employment Roadmap for 2020–2021 will be utilised as far as discount on purchase of local executive bodies' bonds at a low interest rate is recognised, and a part of Government grants will be amortised in other income as interest under hire-purchase contracts, on a straight-line basis over the period of 20 years as far as finished flats are recorded on the Company's balance sheet.

22 DEFERRED INCOME ON FINANCIAL GUARANTEES PROVISIONS

	2020 '000 KZT	2019 '000 KZT
Deferred income from financial guarantee contracts under the construction projects	1,035,317	-
Deferred income on financial guarantees	33,425	-
Total deferred income on financial guarantees	1,068,742	-
Provision for losses incurred but not reported under contracts for guarantees for construction projects	12,386,342	-
Provision for claims on financial guarantees	1,483	-
Total provision for financial guarantees liabilities	12,387,825	-
Balance at the end of the year	13,456,567	-

Deferred income on financial guarantees

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	-	-
Financial guarantee commission received as a result of the merger	33,461	-
Financial guarantee commission earned	(117)	-
Commission from financial guarantee contracts related to construction projects, received as a result of the merger (Note 27)	1,139,377	-
Earned commission from financial guarantee contracts related to construction projects (insurance premium)	(297,364)	-
Commission from financial guarantee contracts related to construction projects received	204,798	-
Financial guarantee commission	96	-
VAT payable on income	(11,509)	-
Balance at the end of the year	1,068,742	-

Deferred income for issued guarantees includes a portion of financial guarantee fees and a portion of the commissions for granting a guarantee for construction projects that are estimated to be earned in the next or subsequent financial years, calculated separately for each financial guarantee contract and each contract for the provision of guarantees for construction projects, using a proportional method.

Analysis of movements in provisions for claims on financial guarantees

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	-	-
Change in provisions for financial guarantee contracts	798	-
Change in provisions for financial guarantee contracts as a result of the merger	685	-
Balance at the end of the year	1,483	-

Analysis of movements in provisions for claims on financial guarantees under construction projects

	2020 '000 KZT	2019 '000 KZT
Balance at the beginning of the year	-	-
Movements in provisions under contracts for the provision of guarantees for construction projects	9,483,772	-
Movements in provisions for financial guarantee contracts related to construction projects, received as a result of the merger (Note 27)	2,902,570	-
Balance at the end of the year	12,386,342	-

As at the reporting date the Company charged provisions to insure multi-family housing estates Bagystan against construction risks, for the amount of KZT 5,887,028 thousand, which sum is equal to the estimated damages resulting from delays in construction and assembly works, from failure to meet target sales of apart-

ments, and also intended to settle complaints of participants filed with government bodies about non-fulfilment by the developer of its contractual obligations due to the latter being significantly behind the scheduled date for commissioning of multi-family residential buildings.

Key assumptions used to calculate provisions under contracts for granting guarantees for construction projects

Assumptions used to assess insurance assets and liabilities are adopted for more accurate estimation of reserves needed to cover any future liabilities for insurance contracts.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not.

The assumptions are checked to ensure that they are consistent with observable market information or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assump-

tions and sensitivities. The estimation of incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimates of outstanding claims already notified.

To determine the probability of occurrence of an insured event, the Company uses the assigned rating of an authorised company / developer, which determines the level of risk. The rating takes into account both the quantitative and qualitative indicators of the authorized company / developer: return on sales, return on assets, quick liquidity ratio, solvency ratio, interest coverage ratio, current-to-assets ratio, total liabilities to equity ratio, commissioned square meters of

the total area of housing, the category of license of the general contractor, technical equipment.

The factor indicating the increased probability of insured event to occur is the fact that the authorised company/ a developer has applied to extend guarantee period due to delays in construction and assembly works and failure to meet apartment target sales.

Taking into account that fulfilment of obligations by the developer and construction company are secured by the pledged share of participation of the developer in the authorised company and the pledged land plot (rights to it), the amount of actual compensation in the event of an insurance case as assessed by the Company depend on the completion stage and value of construction project and changes in market prices of real property.

Estimation of expected losses is reassessed as the Company accumulates statistical data.

Management of the Company believes that the reserves on the portfolio of guarantee contracts for construction projects are sensitive, mainly to changes in the estimated probability of occurrence of an insurance case and estimated compensation in the event of an insurance case. The Company regularly reassesses its estimates based on the latest values of the above variables.

If a probability of occurrence of an insurance case changes by plus/minus one percent, the size of insurance reserves would be higher/lower by KZT 123,863 thousand (2019: KZT 222,890 thousand).

If the amount of estimated compensation in the event of an insurance case is changed by plus/minus 5% of the amount of the claim, the amount of insurance reserve would be lower/higher by KZT 557,611 thousand (2019: KZT 284,074 thousand).

23 SHARE CAPITAL AND RESERVES

(a) Issued share capital and share premium

As at 31 December 2020 authorised share capital comprises 22,000,000 ordinary shares (as at 31 December 2019: 13,681,000 ordinary shares). As at 31 December 2020 issued and outstanding share capital comprises 17,881,022 shares (2019: 6,331,380), including treasury shares (Note (c) below).

(b) Dividends

In accordance with Kazakhstan legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's financial statements prepared in accordance with International Financial Reporting Standards or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

During the year ended 31 December 2020, dividends of KZT 2,577,532 thousand or KZT 423.84 per ordinary share were declared and paid, based on the Company's previous year results (2019: dividends in the amount of KZT 1,385,764 thousand or KZT 227.87 per ordinary share were declared and paid, based on the previous year results).

(c) Treasury shares

As at 31 December 2020 and 2019 the Company held 250,000 of its own shares.

(d) Reserve capital

The Company has established a reserve capital in accordance with a decision of shareholders. As at 31 December 2020 and 2019 the reserve capital was KZT 2,734,447 thousand. This reserve capital is not subject to distribution.

During the years ended 31 December 2020 and 2019 the shareholders made no transfers from retained earnings to the reserve capital.

(e) Other provisions in retained earnings

The Company created a reserve for the settlement of the guarantee event, in accordance with Article 29 of the Law of the Republic of Kazakhstan dated April 7, 2016 "On Shared Participation in Housing Construction". The reserves for the settlement of guarantee cases can be used solely for the purpose of payments related to the Company's obligations under the guarantee agreements. As at 31 December 2020, provision for settlement of guarantee events was KZT 11,152,219 thousand and it is not subject to distribution.

(f) Book value per share

Under the listing rules of the KSE, the Company should present book value per share in its financial statements. The book value per share is calculated by dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2020 the book value per share was KZT 11,340.87 (2019: KZT 11,326.54).

24 RISK MANAGEMENT

Management of risk is fundamental to the lending business and is an essential element of the Company's operations. The major risks faced by the Company are those related to interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management poli-

cies and procedures as well as approving significantly large exposures.

The Management Board of the Company is responsible for monitoring

and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. The Head of Risk Department of the Company is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. The Asset Liability and Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board and the Board of Directors.

Both external and internal risk factors are identified and managed throughout the Company's organisational structure. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise. The Board of Directors on a regular basis examines reports on risks.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, 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 objective of market risk management is to manage and control

market risk exposures within acceptable parameters, whilst optimising the return on risk. Overall authority for market risk is vested in the Asset, Liability and Risk Management Committee.

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board and the Board of Directors.

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 Company 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 gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
31 December 2020							
ASSETS							
Cash and cash equivalents	43,073,531	-	-	-	-	20,545,529	63,619,060
Placements with banks and other financial institutions	17,623,564	10,740	25,160,816	15,887,791	11,046,022	-	69,728,933
Investment securities:							
• at fair value through profit or loss	1,262,773	715,713	953,553	-	-	-	2,932,039
• measured at amortised cost	146,399,866	51,087,686	26,940,197	252,362,771	441,097,432	-	917,887,952
Loans to customers and long-term receivables from sales of real estate under instalment agreements	3,146,622	2,508,754	4,113,316	69,204,147	56,319,831	-	135,292,670
Finance lease receivables	2,418,509	1,966,933	4,021,263	34,404,043	121,459,816	-	164,270,564
Other financial assets	-	-	5,911	14,043	311	4,323	24,588
Total assets	213,924,865	56,289,826	61,195,056	371,872,795	629,923,412	20,549,852	1,353,755,806
LIABILITIES							
Debt securities issued	67,830,288	8,941,439	6,839,389	160,656,762	493,798,857	-	738,066,735
Other borrowed funds	10,732,577	28,715	16,704	33,172	197,836,518	-	208,647,686

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
Other financial liabilities	16,894	-	-	-	-	4,014,626	4,031,520
Total liabilities	78,579,759	8,970,154	6,856,093	160,689,934	691,635,375	4,014,626	950,745,941
Net position	135,345,106	47,319,672	54,338,963	211,182,861	(61,711,963)	16,535,226	403,009,865

'000 KZT	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
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31 December 2019

ASSETS

Cash and cash equivalents	32,171,102	-	-	-	-	564,021	32,735,123
Placements with banks and other financial institutions	1,140,789	-	872,839	-	-	-	2,013,628
Investment securities:							
- at fair value through profit or loss	1,151,675	634,027	933,590	-	-	-	2,719,292
- measured at amortised cost	7,937,992	-	15,279	-	11,964,924	-	19,918,195
Loans to customers	1,737,403	1,887,267	2,665,002	22,678,617	33,694,958	-	62,663,247
Finance lease receivables	1,677,330	1,594,643	3,265,503	27,938,246	109,315,314	-	143,791,036
Other financial assets	-	-	-	45,586	-	505	46,091
Total assets	45,816,291	4,115,937	7,752,213	50,662,449	154,975,196	564,526	263,886,612

LIABILITIES

Debt securities issued	366,465	6,716,557	9,997,586	-	50,603,110	-	67,683,718
Other borrowed funds	76,292	14,632	125	-	33,298,411	-	33,389,460
Other financial liabilities	266,974	-	-	-	-	1,529,916	1,796,890
Total liabilities	709,731	6,731,189	9,997,711	-	83,901,521	1,529,916	102,870,068
Net position	45,106,560	(2,615,252)	(2,245,498)	50,662,449	71,073,675	(965,390)	161,016,544

	2020 '000 KZT		2019 '000 KZT	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	1,597,675	1,597,675	307,835	307,835
100 bp parallel fall	(1,597,675)	(1,597,675)	(307,835)	(307,835)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value through profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2020 and 31 December 2019 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2020 '000 KZT		2019 '000 KZT	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel rise	265,080	265,080	283,857	283,857
100 bp parallel fall	(296,967)	(296,967)	(319,421)	(319,421)

(c) Currency risk

The Company has assets and liabilities denominated in USD.

Currency 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 Company does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020 and 31 December 2019:

	USD	
	2020 '000 KZT	2019 '000 KZT
Assets		
Cash and cash equivalents	805,003	749,350
Loans to customers	849	29,709
Other assets	7,627	-
Total financial assets	813,479	779,059

	USD	
	2020 '000 KZT	2019 '000 KZT
Liabilities		
Other liabilities	15,574	-
Total financial liabilities	15,574	-
Net on and off balance sheet position	797,905	779,059

A change in the value of the KZT, as indicated below, against the following currencies at 31 December 2020 and 31 December 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

'000 KZT	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT	159,581	158,581	124,649	124,649
5% depreciation of USD against KZT	(31,916)	(31,916)	(31,162)	(31,162)

(d) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board and the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan applications;
- methodology for the credit assessment of borrowers;
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control

over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by assessment of the borrower's creditworthiness, obtaining high quality collateral, the receipt of a guarantee and obtaining recourse to the seller of the loans.

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

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

	2020 '000 KZT	2019 '000 KZT
ASSETS		
Cash and cash equivalents	63,619,060	32,735,123
Placements with banks and other financial institutions	69,728,933	2,013,628
Investment securities:		
— at fair value through profit or loss	2,932,039	2,719,292
— at amortised cost	917,887,952	19,918,195
Loans to customers and long-term receivables from sales of real estate under instalment agreements	135,292,670	62,663,247
Finance lease receivables	164,270,564	143,791,036
Other financial assets	24,588	46,091
Total maximum exposure to credit risk	1,353,755,806	263,886,612

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 13.

As at 31 December 2020 and 31 December 2019 the Company has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether, they are offset in the statement of financial position.

The agreements include global master repurchase agreements. Such financial instruments include sale and repurchase agreements and reverse sale and repurchase agreements. The Company receives and accepts collateral in the form of cash and marketable securities in respect of these sale and repurchase and reverse sale and repurchase agreements.

The Company's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association (ISDA) Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

The Company's sale and repurchase, reverse sale and repurchase transactions, and securities borrowings and lendings are covered by master agreements with netting terms similar to those of ISDA Master Netting Agreements.

The above ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Information on the financial instruments such as loans and deposits is not disclosed in the tables below, except for the cases when they are offset in the statement of financial position. The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements:

'000 KZT	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the statement of financial position	Net amount of financial assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2020						
Reverse repurchase agreements	28,855,796	-	28,855,796	(28,855,796)	-	-
Total financial liabilities	28,855,796	-	28,855,796	(28,855,796)	-	-
31 December 2019						
Reverse repurchase agreements	28,593,434	-	28,593,434	(28,593,434)	-	-
Total financial assets	28,593,434	-	28,593,434	(28,593,434)	-	-
Debt securities issued	6,560,590	-	6,560,590	(6,560,590)	-	-
Total financial liabilities	6,560,590	-	6,560,590	(6,560,590)	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing — amortised cost.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for finan-

cial 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 Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Company's liquidity policy is reviewed

by the Management Board and approved by the Board of Directors.

The Company seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Company requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;

- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flows on the financial asset, liability or commitment. The Company's expected cash flows on these financial liabilities may vary significantly from this analysis.

The liquidity position of the Company as at 31 December 2020 was as follows:

'000 KZT	Demand and less month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1-5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities								
Debt securities issued	68,131,944	4,559	18,222,559	36,287,118	372,541,945	1,031,991,011	1,527,179,136	738,066,735
Other borrowed funds	10,596,850	235,743	91,877	362,129	3,224,110	492,244,326	506,755,035	208,647,686
Other financial liabilities	3,883,290	71,777	63,058	3,292	24,992	5,546	4,051,955	4,051,955
Total	82,612,084	312,079	18,377,494	36,652,539	375,791,047	1,524,240,883	2,037,986,126	950,766,376

The liquidity position of the Company as at 31 December 2020 was as follows:

'000 KZT	Demand and less month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	1-5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative financial liabilities								
Debt securities issued	425,000	962,439	8,314,184	12,966,878	20,335,025	77,545,329	120,548,855	67,683,718
Other borrowed funds	86,250	-	26,206	95,270	830,904	145,415,381	146,454,011	33,389,460
Other financial liabilities	1,442,995	100,164	37,503	47,734	270,476	126,623	2,025,495	1,796,890
Total	1,954,245	1,062,603	8,377,893	13,109,882	21,436,405	223,087,333	269,028,361	102,870,068

The table below shows an analysis, by contractual maturities, of the amounts recognised in the statement of financial position as at 31 December 2020::

Assets	Less than 1 month '000 KZT	From 1 to 3 months '000 KZT	From 3 months to 1 year '000 KZT	From 1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity date '000 KZT	Total '000 KZT
Cash and cash equivalents	63,619,060	-	-	-	-	-	63,619,060
Placements with banks and other financial institutions	113,120	17,510,444	25,171,556	15,887,791	11,046,022	-	69,728,933
Investment securities:							
• at fair value through profit or loss	-	36,055	966,818	1,929,166	-	-	2,932,039
• measured at amortised cost	101,470,601	44,929,265	78,027,883	252,362,771	441,097,432	-	917,887,952
Loans to customers and long-term receivables from sales of real estate under instalment agreements	1,654,699	1,515,380	6,281,775	69,550,765	56,290,051	-	135,292,670
Finance lease receivables	1,105,054	1,313,455	5,988,196	34,404,043	121,459,816	-	164,270,564

Assets	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity date	Total
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Current tax asset	-	-	-	-	-	2,843,520	2,843,520
Advances paid for acquisition and construction of real estate	-	147,859	-	-	-	-	147,859
Assets to be transferred under finance lease agreements	-	-	-	-	-	4,121,178	4,121,178
Construction in progress	-	1,883,436	-	-	-	-	1,883,436
Property, plant and equipment	-	-	-	-	-	4,867,901	4,867,901
Investment property	-	-	-	-	-	5,834,999	5,834,999
Non-current assets held for sale	-	-	-	-	-	306,540	306,540
Other assets	244,567	214,043	166,708	15,548	1,566	559,125	1,201,557
Total assets	168,207,101	67,549,937	116,602,937	374,150,084	629,894,887	18,533,263	1,374,938,208
Liabilities							
Debt securities issued	67,829,722	566	15,780,828	160,656,762	493,798,857	-	738,066,735
Other borrowed funds	10,586,656	145,921	45,419	33,172	197,836,518	-	208,647,686
Government grants	-	-	-	-	197,563,476	-	197,563,476
Deferred income and provisions for guarantees issued	155,288	1,347,125	10,205,026	1,741,124	8,004	-	13,456,567
Deferred tax liability	-	-	-	-	11,098,775	-	11,098,775
Other liabilities	4,364,890	467,669	1,008,142	9,467	3,368	-	5,853,536
Total liabilities	82,936,556	1,961,281	27,039,415	162,440,525	900,308,998	-	1,174,686,775
Net position as at 31 December 2020	85,270,545	65,588,656	89,563,522	211,709,559	(270,414,111)	18,533,263	200,251,433
Net position as at 31 December 2019	40,030,681	5,026,629	(6,866,024)	53,379,657	(28,854,951)	6,376,544	69,092,536

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

Assets	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity date	Total
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Cash and cash equivalents	32,735,123	-	-	-	-	-	32,735,123
Placements with banks and other financial institutions	576,662	564,127	872,839	-	-	-	2,013,628
Investment securities:							
• at fair value through profit or loss	-	28,844	96,890	2,593,558	-	-	2,719,292
• measured at amortised cost	7,444,547	493,445	15,279	-	11,964,924	-	19,918,195
Loans to customers	896,978	874,645	4,034,577	23,107,769	33,749,278	-	62,663,247
Finance lease receivables	612,112	1,065,218	4,860,146	27,938,246	109,315,314	-	143,791,036
Current tax asset	-	-	-	-	-	1,135,442	1,135,442
Advances paid for acquisition and construction of real estate	-	581,978	-	-	-	-	581,978
Assets to be transferred under finance lease agreements	-	-	-	-	-	2,274,682	2,274,682
Construction in progress	-	1,534,061	-	-	-	-	1,534,061
Property, plant and equipment	-	-	-	-	-	1,968,153	1,968,153
Investment property	-	-	-	-	-	187,421	187,421
Other assets	23,679	44,633	286,654	16,181	1,943	810,846	1,183,936
Total assets	42,289,101	5,186,951	10,166,385	53,655,754	155,031,459	6,376,544	272,706,194

	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity date	Total
Liabilities							
Debt securities issued	365,972	493	16,714,143	-	50,603,110	-	67,683,718
Other borrowed funds	76,292	-	14,757	-	33,298,411	-	33,389,460
Government grants	-	-	-	-	98,052,131	-	98,052,131
Deferred tax liability	-	-	-	-	1,870,669	-	1,870,669
Other liabilities	1,816,156	159,829	303,509	276,097	62,089	-	2,617,680
Total liabilities	2,258,420	160,322	17,032,409	276,097	183,886,410	-	203,613,658
Net position as at 31 December 2019	40,030,681	5,026,629	(6,866,024)	53,379,657	(28,854,951)	6,376,544	69,092,536
Net position as at 31 December 2018	36,329,463	439,408	18,120,205	29,848,672	(33,601,499)	10,750,285	61,886,534

As at 31 December 2020 included in the category “More than 5 years” are overdue loans to customers and finance lease receivables with net book values of KZT 1,330,415 thousand

and KZT 301,641 thousand, respectively (31 December 2019: KZT 1,211,963 thousand and KZT 141,822 thousand, respectively).

25 INSURANCE RISK MANAGEMENT

The Company enters into contracts for the provision of guarantees for the completion of construction. The Company guarantees the completion of the construction of a residential house in the event of an insurance case and the transfer of shares in a residential building to equity holders. As at 31 December 2020 the Company had 27 insurance agreements that were in force. As at 31 December 2020 the maximum amount of liabilities under the valid guarantees issued by the Company was: KZT 190,074,576 thousand).

The main risk that the Company faces under construction guarantee contracts is that the actual payments for warranty cases or the time of their payment may differ from those expected. Thus, the Company’s goal is to accumulate sufficient reserves to pay for these liabilities.

Insurance risk is mainly managed through the assessment of financial and legal risks associated with the developer. The Company assesses the financial condition of the developer, performs analysis of the sources of financing the project, and conducts analysis of the adequacy of the price

policy of the construction company. In addition, the Company also conducts legal assessment to establish legal and reputational risks for the project. To secure the customer's liability to

complete construction of a residential house the Company accepts 100% interest in the authorised company and land plot with construction in progress as a security.

26 CAPITAL MANAGEMENT

The Company defines as capital the following items defined by statutory regulation as capital for mortgage companies:

Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' statutory retained earnings, accumulated losses and reserves created thereof and preference shares (within 15% of ordinary share capital) less intangible assets and current year statutory losses;

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's statutory income, revaluation reserves, preference shares (in excess of 15% of ordinary share capital), qualifying subordinated liabilities and collective impairment allowance in the amount not exceeding 1.25% of credit risk-weighted assets.

Total capital, which is the sum of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital) less investments into equity or subordinated debt.

Various further limits and qualifying criteria are applied to the above elements of the capital base. Under the current capital requirements set by the NBRK mortgage organisations have to maintain:

- a ratio of tier 1 capital to total statutory assets (k1);
- a ratio of credit risk-weighted contingent liabilities decreased by the amount of total reserves (provisions) not included in calculation of the equity (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, decreased by the amount of total reserves (provisions) not included in calculation of the equity and quantified operational risk (k1-3).



	2020 '000 KZT	2019 '000 KZT
Tier 1 capital		
Share capital	190,847,155	60,728,939
General reserves	2,734,446	2,734,447
Tier 1 capital	3,389,392	5,822,856
Intangible assets	(134,229)	(55,831)
Net loss for the year calculated as required by NBRK	(5,100,541)	-
Statutory accumulated losses for prior years	(2,771,238)	(8,785,472)
Total tier 1 capital	188,964,985	60,444,939
Tier 2 capital		
Total reserves (provisions) included in calculation of equity in the amount not exceeding 1.25% of credit-risk weighted assets	7,846,184	-
Net (loss)/profit for the year in accordance with the NBRK requirements	-	8,591,766
Total tier 2 capital	7,846,184	8,591,766
Total capital	196,811,169	69,036,705
Total statutory assets	1,374,938,209	272,706,193
Credit risk weighted assets	627,694,733	220,064,309
Credit-risk weighted contingent liabilities	198,975,311	
Operational risk	7,537,759	6,843,314
Total credit risk weighted assets and contingent liabilities plus operational risk	834,207,803	226,907,623
Total reserves (provisions) not included in calculation of equity	3,306,035	
k1	14%	22%
k1-2	23%	27%
k1-3	24%	30%

As at 31 December 2020 and 231 December 2019 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%;
- k1-2 – 6%;
- k1-3 – 12%.

In accordance with the NBRK requirements a net loss comprises the Company's net profit less reserve for the settlement of the guarantee event, in accordance with Article 29 of the Law of the Republic of Kazakhstan dated 7 April 2016 "On Shared Participation in Housing Construction" (Note 23(e)) as the reserve for the settlement of the guarantee event is restricted for distribution.

27 TAKEOVER OF BD JSC AND HCGF JSC

On 16 July 2020, based on the resolution of the absentee meeting of the Management Committee of NMH Baiterek JSC, a decision was made to approve the Transfer Act concerning transfer to the Company and the takeover agreement, as the successor of DB JSC, of all property, rights and obligations of DB JSC, as well as all rights and obligations in respect of all its creditors and debtors, and the Company's succession to all rights and obligations of DB JSC. In addition a decision was made to place the Company's shares within the limits of the authorised number of shares of 9,220,163 items at a price of KZT 11,239.54 per share, in favour of the Sole Shareholder of BD JSC in payment for the 100% of BD JSC shares acquired by the Company. The Company's share capital increased by KZT 103,630,354 after takeover of BD JSC. On 30 July 2020, after closing a transaction on placement of the Company's shares, BD JSC transferred all assets and liabilities, and the net assets were worth of KZT 100,682,460 thousand as at the date of transfer. Therefore, the Company recognised KZT 2,947,894 thousand in the additional paid-up capital.

On 4 November 2020, based on the resolution of the absentee meeting of the Management Committee of NMH Baiterek JSC, a decision was made to approve the Transfer Act concerning transfer to the Company and the takeover agreement, as the successor of HCGF JSC, of all property, rights and obligations of HCGF JSC, as well as all rights and obligations in respect of all its creditors and debtors, and the Company's succession to all rights and obligations of HCGF JSC. In addition a decision was made to place the Company's shares within the limits of the authorised number of shares of 2,329,479 items at a price of KZT 11,370.72 per share, in favour of the Sole Shareholder of HCGF JSC in payment for the 100% of HCGF JSC shares acquired by the Company. The Company's share capital increased by KZT 26,487,861 thousand after takeover of HCGF JSC. On 16 November 2020, after closing a transaction on placement of the Company's shares, HCGF JSC transferred all assets and liabilities, and the net assets were worth of KZT 26,853,426 thousand as at the date of transfer. Therefore, the Company recognised KZT 365,565 thousand in the additional paid-up capital.

	As of the date of actual transfer	As of the date of approval by the shareholder	'000 KZT
BD JSC net assets	100,831,325	103,630,354	(2,799,029)
HCGF JSC net assets	26,853,426	26,487,861	365,565
Total	127,684,751	130,118,215	(2,433,464)

During the reporting period ended 31 December 2020, the Company carried out a transaction to acquire shares of BD JSC and HCGF JSC by placing its shares in proportion to the share sales price ratio.

The table below shows the carrying amounts of BD JSC acquired by the Company on 30 July 2020 and HCGF JSC acquired by the Company on 16 November 2020 as at the date of

acquisition of shares of BD JSC and HCGF JSC, by issuing shares of the Company based on the carrying amounts stated in the financial statements of the Company.

For the period from the beginning of the reporting year and to the date of acquisition, the net profit of BD JSC was KZT 7,436,649 thousand and that of HCGF JSC was KZT 1,922,234 thousand, respectively.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the takeover date:

'000 KZT	BD JSC	BD JSC restated data	BD JSC given the restated data	HCGF JSC
Acquisition date			30 июля 2020	16 ноября 2020
Assets				
Cash and cash equivalents	28,260,077	13,764	28,273,841	6,829,585
Amounts due from financial institutions	27,058,830	-	27,058,830	2,998,860
Other financial assets measured at amortised cost	552,361,717	3,987,766	556,349,483	20,900,221
Loans and advances to customers	77,597,271	(112,431)	77,484,840	-
Finance lease receivables	22,719,257	-	22,719,257	-
Current tax asset	1,166,747	(28)	1,166,719	95,308
Assets to be transferred under finance lease agreements	3,864,321	-	3,864,321	-

'000 KZT	BD JSC	BD JSC restated data	BD JSC given the restated data	HCGF JSC
Construction in progress	175,716	-	175,716	-
Property, plant and equipment and intangible assets	2,670,704	-	2,670,704	47,590
Investment property	5,492,982	-	5,492,982	108,536
Non-current assets held for sale	321,474	-	321,474	-
Deferred tax assets	-	-	-	9,751
Other assets	2,161,949	46,331	2,208,280	7,705
Total assets	723,851,045	3,935,402	727,786,447	30,997,556
Liabilities				
Debt securities issued	345,998,551	3,767,841	349,766,392	-
Other borrowed funds	167,474,423	-	167,474,423	-
Government grants	100,868,263	-	100,868,263	-
Deferred income and provisions for guarantees issued	-	-	-	4,076,891
Deferred tax liability	7,035,975	-	7,035,975	-
Other liabilities	1,791,373	18,696	1,810,069	67,239
Total liabilities	623,168,585	3,786,537	626,955,122	4,144,130
Total net assets	100,682,460	148,865	100,831,325	26,853,426

28 CONTINGENCIES

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company purchases a property insurance service, which should include insurance of property that serves as a collateral of the immovable property pledged at the Company against the mortgage loans, and insurance of leased housing, namely its structural elements, against the

risks of loss, destruction and/or damage caused by natural calamities and emergency situations of the natural, climatic, household and/or man-made character, criminal and negligent actions of the third parties. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigations

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations of the Company.

(c) Taxation contingencies in Kazakhstan

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

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

29 RELATED PARTY TRANSACTIONS

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration included in employee compensation is as follows (refer to Note 7):

	2020 '000 KZT	2019 '000 KZT
Members of the Board of Directors	17,144	16,210
Members of the Management Board	183,686	128,286
	200,830	144,496

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

The outstanding balances and average interest rates as at 31 December 2020 and 31 December 2019 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2020 '000 KZT	Average interest rate,%	2019 '000 KZT	Average interest rate,%
Statement of financial position				
Loans to customers	51,869	3,00	-	-
Other liabilities	78,719	3,00	39,870	-

(b) Amounts on transactions with the members of the Management Board and Board of Directors included in the statement of profit or loss are as follows:

Statement of Profit and Loss	2020 '000 KZT	2019 '000 KZT
Interest income	752	-

(c) Other related party transactions

Other related parties include NMH Baiterek JSC and its subsidiaries (together the “Baiterek Group”) and other state organisations.

The amounts below are included in the statement of financial position and statement of profit or loss and other comprehensive income for transactions with other related parties as at 31 December 2020 and 31 December 2019:

	2020 '000 KZT	2020 '000 KZT	2019 '000 KZT	2019 '000 KZT
	Baiterek Group	Government institutions	Baiterek Group	Government institutions
Statement of profit or loss				
Interest income	6,778,773	34,666,442	4,456,495	2,076,369
Interest expense	(36,211,421)	(1,873,326)	(4,056,144)	(1,464,899)
Other operating income, net	177,449,253	(173,305,360)	-	-
Fee and commission expense	-	(1,783)	-	(810)
Other income	-	-	-	60,874
(Impairment losses)/reversal of impairment	(27,188)	(796,689)	17,623	(13,069)
General and administrative expenses	(5,097)	(608,345)	(9,284)	(454,710)
Income tax expense	-	(2,194,096)	-	(1,327,345)

The balances with other related parties as at 31 December 2020 include:

	Baiterek Group		Government institutions	
	'000 KZT	Average interest rate,%	'000 KZT	Average interest rate,%
Cash and cash equivalents	14,200,857	7.50	48,554,180	8.20
Due from banks	15,987,791	1.00	-	-
Investment securities measured at amortised cost	-	-	838,395,580	4.15
Current tax asset	-	-	2,843,520	-
Other assets	77,557	-	81,795	-
Debt securities issued	707,443,506	6.04	11,957,444	10.38
Other borrowed funds	203,134,956	0.17	5,512,730	0.10
Government grants	197,288,432	-	275,044	-
Deferred tax liability	-	-	11,098,775	-
Other liabilities	-	-	237,294	-

The balances with other related parties as at 31 December 2019 include:

	Baiterek Group		Government institutions	
	'000 KZT	Average interest rate,%	'000 KZT	Average interest rate,%
Cash and cash equivalents	2,819,938	7.75	23,782,799	9.36
Investment securities measured at amortised cost	-	-	8,936,603	8.76
Current tax asset	-	-	1,135,442	-
Other assets	-	-	8,789	-
Debt securities issued	22,793,401	9.45	17,255,716	9.78
Other borrowed funds	28,466,442	0.15	4,923,018	0.10
Government grants	98,052,131	-	-	-
Deferred tax liability	-	-	1,870,669	-
Other liabilities	93,178	-	129,846	-

30 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

'000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	63,619,060	-	63,619,060	63,619,060
Placements with banks and other financial institutions	69,728,933	-	69,728,933	69,728,933
Investment securities measured:				
• at amortised cost	917,887,952	-	917,887,952	952,491,174
• at fair value through profit or loss	-	2,932,039	2,932,039	2,932,039
Loans to customers and long-term receivables from sales of real estate under instalment agreements	135,292,670	-	135,292,670	114,287,749
Finance lease receivables	164,270,564	-	164,270,564	102,511,173
Other financial assets	24,588	-	24,588	24,588
	1,350,823,767	2,932,039	1,353,755,806	1,305,594,716
Debt securities issued	738,066,735	-	738,066,735	783,930,277
Other borrowed funds	208,647,686	-	208,647,686	143,258,180
Other financial liabilities	4,031,520	-	4,031,520	4,031,520
	950,745,941	-	950,745,941	931,219,977

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019:

'000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	32,735,123	-	32,735,123	32,735,123
Placements with banks and other financial institutions	2,013,628	-	2,013,628	2,013,628
Investment securities measured:				
• - at amortised cost	19,918,195	-	19,918,195	19,109,614
• - at fair value through profit or loss	-	2,719,292	2,719,292	2,719,292
Loans to customers	62,663,247	-	62,663,247	53,030,247
Finance lease receivables	143,791,036	-	143,791,036	93,528,475
Other financial assets	46,091	-	46,091	46,091
	261,167,320	2,719,292	263,886,612	203,182,470
Debt securities issued	67,683,718	-	67,683,718	63,918,540
Other borrowed funds	33,389,460	-	33,389,460	32,758,290
Other financial liabilities	1,796,890	-	1,796,890	1,796,890
	102,870,068	-	102,870,068	98,473,720

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instru-

ments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist, and other valuation

models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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

For more complex instruments, the Company uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving sig-

nificant unobservable inputs include certain loans and securities for which there is no active market.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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

- discount rates of 6.5% — 14.9% are used for discounting future cash flows from loans to customers and receivables from sales of real estate under instalment agreements (2019: 11.9% –15.07%);
- discount rates of 9.9% are used for discounting future cash flows from finance lease receivables (2019: 9.1%);
- discount rates of 10.85% are used for discounting future cash inflows/outflows from securities issues and other borrowed funds (2019: 10.1%).

(b) Fair value hierarchy

- The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:
- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1

that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs

are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where signif-

icant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised: The amounts are based on the values recognised in the statement of financial position:

Financial assets	Level 2	Level 3	Total
Investment securities measured at fair value through profit or loss	2,066,079	865,960	2,932,039
	2,066,079	865,960	2,932,039

The table below analyses financial instruments measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised: The amounts are based on the values recognised in the statement of financial position:

Financial assets	Level 2	Level 3	Total
Investment securities measured at fair value through profit or loss:	1,785,702	933,590	2,719,292
	1,785,702	933,590	2,719,292

Changes in fair value measurements categorised to Level 3 in the fair value hierarchy for 2020, were as follows:

	2020	2019
Financial assets		
Balance at the beginning of the year	933,590	-
Net realised loss on investment securities at fair value through profit or loss	(19,505)	-
Interest paid	(87,135)	-
Transfers into Level 3	39,010	933,590
Balance at the end of the year	865,960	933,590

Total gains or losses included in profit or loss for 2020 in the above table are presented in the statement of profit or loss and other comprehensive income as follows:

	2020	2019
Financial assets		
Net gain/(loss) on financial instruments at fair value through profit or loss	(19,505)	(8,919)

During 2019, investment securities measured at fair value through profit or loss were transferred into Level 3. The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2020:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Investment securities measured at fair value through profit or loss	865,960	Discounted cash flows	Discount rate of 17.85%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value/

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020:

'000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	63,619,060	-	63,619,060	63,619,060
Placements with banks and other financial institutions	69,728,933	-	69,728,933	69,728,933
Investment securities measured at amortised cost	952,491,174	-	952,491,174	917,887,952
Loans to customers and long-term receivables from sales of real estate under instalment agreements	111,338,645	2,949,104	114,287,749	135,292,670
Finance lease receivables	93,556,875	8,954,298	102,511,173	164,270,564
Other financial assets	24,588	-	24,588	24,588
Liabilities				
Debt securities issued	783,930,277	-	783,930,277	738,066,735
Other borrowed funds	143,258,180	-	143,258,180	208,647,686
Other financial liabilities	4,031,521	-	4,031,531	4,031,521

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2019:

'000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	32,735,123	-	32,735,123	32,735,123
Placements with banks and other financial institutions	2,013,628	-	2,013,628	2,013,628
Loans to customers	52,048,339	981,908	53,030,247	62,663,247
Finance lease receivables	93,130,986	397,489	93,528,475	143,791,036
Liabilities				
Debt securities issued	63,918,540	-	63,918,540	67,683,718
Other borrowed funds	32,758,290	-	32,758,290	33,389,460

31 SEGMENT REPORTING

The Company's operations are highly integrated and constitute a single business segment for the purposes of IAS 14 Segment Reporting. The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.