КАЗАКСТАН ИПОТЕКАЛЫК КОМПАНИЯСЫ

Kazakhstan Housing Company JSC (former Mortgage Organisation Kazakhstan Mortgage Company JSC)

Financial Statements

for the year ended 31 December 2020

Contents

«КПМГ Аудит» жауапкершілігі
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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.

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.

The key audit matter	How the matter was addressed in our audit
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.	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 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.

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.	— 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.

Government grants

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

The key audit matter	How the matter was addressed in our audit
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.	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.

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 identified 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 management 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 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.

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.

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 Dementyev
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

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

	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**
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**

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

	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)**
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)**

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

	2020 '000 KZT	2019 '000 KZT
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**

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

'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**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

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-sez 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 estimates 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 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 qualitative 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.

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.

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 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 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.

(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:

- 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 detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the 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.

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.

(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 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-generating 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

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

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The 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 counteparty'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 otherwise 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.

		External benchmarks used	
'000 KZT	**Exposure**	**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

	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			
	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	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**
Loss allowance	(30,543)	-	(2,028,884)	(2,059,427)
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			
Current accounts with other banks	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit-impaired assets	Total
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'	-	-	-	68,519,028
Corporate bonds issued by second-tier banks rated 'B'	10,983,015	68,519,028	-	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 on assets not credit-impaired	Lifetime ECL on assets credit-impaired	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 executive 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 Companiyasy 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 Companiyasy 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:

	31 December 2020				
'000 KZT	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	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	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	Acquired assets credit-impaired on initial recognition	Total
	31 December 2019				
- 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:

	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	POCI	Total '000 KZT
	For the year ended 31 December 2020				
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:

	2020				
'000 KZT	**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**

	2019				
'000 KZT	**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 Companiyasy 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 Companiyasy 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:

	31 December 2020			
'000 KZT	**Stage 1 12-month expected credit losses (ECL)**	**Stage 2 Lifetime ECL on assets not credit-impaired**	**Stage 3 Lifetime ECL on credit-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 macro-economic 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 asses 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 counteragents 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:

	31 December 2020			
'000 KZT	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	Total
- 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			
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	Total '000 KZT
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			
	12-month expected credit losses (ECL)	Lifetime ECL on assets not credit-impaired	Lifetime ECL on credit-impaired assets	Total '000 KZT
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:

	2020			
'000 KZT	**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**

	2019			
'000 KZT	**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	-
KZ2C0Y10F013/ 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/ KZ2C0Y20F889	21.06.2049	2.99%	10.14%	170,880	281,963
KZ2C00004349	06.08.2050	0.10%	12.41%	19,004	-
KZ2C0Y07E517/ KZ2C00002160	26.07.2020	8.5%	8.51%	-	10,363,558
KZ2C0Y08E218/ 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 nominal 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:

	Liabilities		
'000 KZT	**Debt securities issued**	**Other borrowed funds**	**Total**
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)	(10,527,747)
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:

	Liabilities		Total
'000 KZT	**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 Nurly Zher Programme and Employment Roadmap for 2020-2021will 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 apartments, 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 assumptions 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 policies 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
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**

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 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 though 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 KZT'000		2019 KZT'000	
	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**
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.

	2020		2019	
KZT'000	**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 guarantees 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:

KZT'000	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: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net amount
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 financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The 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:

KZT'000	Demand and less than 1 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:

KZT'000	Demand and less than 1 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 KZT'000	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
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 '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 KZT'000
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**
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
Additional paid-in 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 DB 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 July 2020**	**16 November 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	-
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

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2020:

KZT'000	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:

KZT'000	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 instruments, 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 significant 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 significant 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 results 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:

KZT'000	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:

KZT'000	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.