



Mortgage Organisation
Kazakhstan Mortgage Company JSC
Unaudited Condensed Interim
Financial Statements
for the six months ended
30 June 2020

Contents

Independent Auditors' Report on Review of Condensed Interim Financial Statements	
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Interim Statement of Financial Position	6
Condensed Interim Statement of Cash Flows	7
Condensed Interim Statement of Changes in Equity	8
Notes to the Condensed Interim Financial Statements	9-30



«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
Қазақстан, А25D6Т5, Алматы,
Достық д-лы, 180,
Тел.: +7 (727) 298-08-98

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

Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Board of Directors and Management Board of Mortgage Organisation Kazakhstan Mortgage Company JSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mortgage Organisation Kazakhstan Mortgage Company JSC (the "Company") as at 30 June 2020, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2020 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Assel Urdabayeva
Authorised representative (Partner)
KPMG Audit LLC
Almaty, Republic of Kazakhstan

3 August 2020

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2020

		Unaudited Six months ended 30 June 2020 KZT'000	Unaudited Six months ended 30 June 2019 KZT'000
Interest income calculated using the effective interest method		6,538,547	4,965,207
Other interest income		4,552,523	4,504,438
Interest expense		(4,331,341)	(3,846,633)
Net interest income	4	6,759,729	5,623,012
Fee and commission income		9,186	3,787
Fee and commission expense		(173,845)	(85,109)
Net fee and commission expense		(164,659)	(81,322)
Net gain on investment securities at fair value through profit or loss		42,569	142,460
Net foreign exchange gain /(loss)		41,772	(9,204)
Other income		327,780	174,181
Operating income		7,007,191	5,849,127
Credit (losses)/gain on reversal of impairment of debt financial assets	5	(3,257,247)	664,875
Personnel expenses		(867,232)	(862,402)
General administrative expenses		(545,488)	(728,879)
Loss from financial assets restructuring		(19,713)	(34,982)
Profit before income tax		2,317,511	4,887,739
Income tax expense		(480,626)	(597,677)
Profit and total comprehensive income for the period		1,836,885	4,290,062
Basic and diluted earnings per share, in KZT	14(b)	302	705

These condensed interim financial statements as set out on pages 5 to 30 were approved by management on 3 August 2020 and were signed on its behalf by:

  A.B. Mukhamedzhanov Chairman of the Management Board	 B.D. Sagımkulova Deputy Chairman of the Board	 A.T. Toktarkozha Chief Accountant
--	--	---

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

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Financial Position as at 30 June 2020

	Note	Unaudited 30 June 2020 KZT'000	31 December 2019 KZT'000
ASSETS			
Cash and cash equivalents	6	5,861,554	32,735,123
Placements with banks and other financial institutions	7	19,147,705	2,013,628
Investment securities:			
- at fair value through profit or loss		2,804,106	2,719,292
- at amortised cost	8	17,979,995	19,918,195
Loans to customers	9	59,819,871	62,663,247
Finance lease receivables	10	143,248,305	143,791,036
Current tax asset		990,849	1,135,442
Advances paid for acquisition and construction of real estate		1,116,728	581,978
Assets to be transferred under finance lease agreements	11	3,072,868	2,274,682
Construction-in-progress		1,569,222	1,534,061
Property, plant and equipment		2,087,910	1,968,153
Investment property		486,427	187,421
Other assets	12	6,592,851	1,183,936
Total assets		264,778,391	272,706,194
EQUITY AND LIABILITIES			
Debt securities issued	13	61,116,461	67,683,718
Other borrowed funds		34,473,977	33,389,460
Deferred income		95,980,166	98,052,131
Deferred tax liability		2,144,592	1,870,669
Other liabilities		2,711,306	2,617,680
Total liabilities		196,426,502	203,613,658
Equity	14		
Share capital		63,313,800	63,313,800
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,522)
Additional paid-in capital		5,822,856	5,822,856
Reserve capital		2,734,447	2,734,447
Accumulated losses		(934,353)	(193,706)
Total equity		68,351,889	69,092,536
Total equity and liabilities		264,778,391	272,706,194

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

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Cash Flows for the six months ended 30 June 2020

	Unaudited Six months ended 30 June 2020 KZT'000	Unaudited Six months ended 30 June 2019 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	7,632,514	7,052,833
Interest payments	(3,290,211)	(3,224,833)
Fee and commission receipts	9,186	3,787
Fee and commission payments	(171,817)	(102,864)
Other income receipts	115,805	148,418
Personnel expenses payments	(856,027)	(847,976)
Other general administrative expenses payments	(484,636)	(580,408)
	2,954,814	2,448,957
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	(17,021,966)	(14,921,588)
Financial assets at fair value through profit or loss	1,612	1,273
Loans to customers	1,774,226	(6,752,101)
Advances paid for acquisition and construction of real estate	-	487,145
Assets to be transferred under finance lease agreements	(4,703,055)	(38,673)
Construction-in-progress	(111,413)	(74,268)
Finance lease receivables	3,231,007	3,107,031
Other assets	(611,196)	234,961
Increase/(decrease) in operating liabilities		
Subsidies	304,329	(165,536)
Other liabilities	(94,535)	38,623
Decrease in cash from operating activities before interest and income tax paid	(14,276,177)	(15,634,176)
Income tax paid	(16,868)	(21,532)
Cash flows used in operating activities	(14,293,045)	(15,655,708)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities measured at amortised cost	(46,044,654)	(10,221,961)
Repayment of investment securities measured at amortised cost	42,500,000	-
Acquisition and sale of property, plant and equipment and intangible assets	(1,908)	(47,024)
Proceeds from sale of investment property	9,923	184,272
Cash flows used in investing activities	(3,536,639)	(10,084,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase /repayment of debt securities issued	(6,507,000)	(10,000,000)
Proceeds from issue of debt securities	-	593,861
Dividends paid	(2,577,532)	-
Cash flows used in financing activities	(9,084,532)	(9,406,139)
Net decrease in cash and cash equivalents	(26,914,216)	(35,146,560)
Effect of movements in ECL on cash and cash equivalents	15,556	124,638
Effect of changes in exchange rates on cash and cash equivalents	25,091	(7,218)
Cash and cash equivalents at the beginning of the period	32,735,123	45,903,390
Cash and cash equivalents as at the end of the period	5,861,554	10,874,250
(Note 6)		

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

Mortgage Organisation Kazakhstan Mortgage Company JSC
Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2020

KZT'000	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Accumulated losses	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							
Profit for the period, unaudited	-	-	-	-	-	4,290,062	4,290,062
Total comprehensive income for the period, unaudited	-	-	-	-	-	4,290,062	4,290,062
Dividends declared (Note 16(a))	-	-	-	-	-	(1,385,764)	(1,385,764)
Balance at 30 June 2019, unaudited	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(4,495,410)	64,790,832
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							
Profit for the period, unaudited	-	-	-	-	-	1,836,885	1,836,885
Total comprehensive income for the period, unaudited	-	-	-	-	-	1,836,885	1,836,885
Dividends declared (Note 16(a))	-	-	-	-	-	(2,577,532)	(2,577,532)
Balance at 30 June 2020, unaudited	63,313,800	12,661	(2,597,522)	5,822,856	2,734,447	(934,353)	68,351,889

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

1 Background

(a) Principal activity

The Mortgage Organisation Kazakhstan Mortgage Company JSC (the “Company”) was established on 29 December 2000 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 acquisition of the rights of claim to mortgage loans, finance lease and mortgage loans in accordance with the licence of the regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

On 12 April 2010, the Company obtained a banking license No. 5.1.69 for 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: 98 Karasay Batyr street, A05E3D4, Almaty, Kazakhstan.

(b) Shareholders

As at 30 June 2020 and 31 December 2019 the Company is wholly owned by National Management Holding Baiterek JSC (the “Parent”). 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 the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. On 11 March 2020, the World Health Organization declared the coronavirus 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, the Government of the Republic of Kazakhstan, pursuant to the legislation of the Republic of Kazakhstan, has imposed 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 lockdown and business disruption 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.

In March 2020, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan jointly with the National Bank of the Republic of Kazakhstan announced a package of measures to ensure the financial system stability and protection of rights of financial service consumers. The Agency has adopted a resolution on suspending for the 3 months, that is from 16 March to 15 June, the repayment of principal debt and interest, based on a borrower’s statement. Individuals and legal entities could apply with an application at any time during the period from 16 March to 15 June, and the financial organisations had to consider such applications within 10 working days. During that period the financial organisations had not charged commissions to borrowers.

Taking into account the Company's current operational and financial performance along with other currently available public information, within the six-month period ended 30 June 2020, the Company formed additional provisions of KZT 3 billion for finance lease receivables and loans to customers. 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 also considers negative development scenarios and is ready to adapt its operational plans accordingly. Management continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The condensed interim 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 preparation

(a) Statement of compliance with IAS 34 *Interim Financial Reporting*

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2019.

These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

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

(c) Use of estimates and judgments

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, information about which were presented in the following notes: 'Loans to customers' (Note 9), 'Finance lease receivables' (Note 10) and 'Risk management' (Note 15).

(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/.

The Kazakhstan Tenge is also the presentation currency for the purposes of these condensed interim financial statements.

Except as indicated, financial information presented in KZT is rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those the Company applied for preparation of the financial statements for the year ended 31 December 2019.

4 Net interest income

	Unaudited Six months ended 30 June 2020 KZT'000	Unaudited Six months ended 30 June 2019 KZT'000
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Loans to customers	3,875,147	2,459,377
Cash and cash equivalents	128,050	279,489
Investment securities measured at amortised cost	1,099,322	681,706
Placements with banks and other financial institutions	558,466	567,027
Reverse repurchase agreements	792,845	800,606
Other assets	84,717	177,002
	6,538,547	4,965,207
Other interest income		
Finance lease receivables	4,439,565	4,345,900
Investment securities measured at fair value through profit or loss	112,958	158,538
	4,552,523	4,504,438
Interest expense		
Debt securities issued	(3,134,367)	(2,730,421)
Other borrowed funds	(1,196,974)	(1,116,212)
	(4,331,341)	(3,846,633)
Net interest income	6,759,729	5,623,012

Interest income on finance lease receivables for the six months ended 30 June 2020 includes amortisation of deferred income of KZT 2,071,965 thousand, unaudited (for the six months ended 30 June 2019: KZT 2,003,420 thousand) (Note 14).

5 Credit (losses)/gain on reversal of impairment of debt financial assets

	Unaudited Six months ended 30 June 2020 KZT'000	Unaudited Six months ended 30 June 2019 KZT'000 (restated)
Finance lease receivables (Note 10)	(993,689)	(179,698)
Loans to customers (Note 9)	(2,241,596)	245,298
Cash and cash equivalents	25,091	124,638
Placements with banks and other financial institutions	(40,388)	(10,195)
Investment securities measured at amortised cost (Note 8)	3,412	(24,784)
Other financial assets	(10,077)	509,616
	(3,257,247)	664,875

6 Cash and cash equivalents

KZT'000	30 June 2020 (unaudited)			
	12-month expected credit losses (ECL)	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit- impaired assets	Total
The National Bank of the Republic of Kazakhstan	437,861	-	-	437,861
- rated from BBB+ to BBB-	3,768,689	-	-	3,768,689
- rated from BB+ to BB-	89,399	-	-	89,399
- rated from B+ to B-	65,128	-	-	65,128
-not rated	-	-	2,040,135	2,040,135
Total Nostro accounts with banks before impairment allowance	4,361,077	-	2,040,135	6,401,212
Loss allowance	(7,706)	-	(2,040,135)	(2,047,841)
Reverse repurchase agreements				
Rated from BBB- to BBB+	1,508,183	-	-	1,508,183
Total cash and cash equivalents	5,861,554	-	-	5,861,554

KZT'000	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 from BBB+ to BBB-	3,575,093	-	-	3,575,093
- rated from BB+ to BB-	102,145	-	-	102,145
Rated from B+ to B-	33,395	-	-	33,395
- 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 license of Kazinvestbank JSC (KIB) citing its repeated failures to process payment. As at 30 June 2020 the Company considers the nostro account held with KIB for the total amount of KZT 2,040,135 thousand fully impaired as based on its understanding of the KIB's current position it does not expect probable future cash flows from the assets (31 December 2019: KZT 2,066,083 thousand).

As at 30 June 2020 the Company has no banks (31 December 2019: no banks) whose balances exceed 10% of equity.

During the six months ended 30 June 2020, the Company entered into the reverse REPO transactions with counterparties at Kazakhstan Stock Exchange. These transactions are collateralised with the treasury bills of the Ministry of Finance of the Republic of Kazakhstan. As at 30 June 2020 the fair value of financial assets collateralising reverse repurchase agreements is KZT 1,589,123 thousand, unaudited (31 December 2019: KZT 29,653,837 thousand).

7 Placements with banks and other financial institutions

KZT'000	30 June 2020 KZT'000 (unaudited)	31 December 2019 KZT'000
rated BBB+	10,141,256	564,716
rated BB+	5,829,806	1,452,694
rated BB-	3,220,813	-
	19,191,875	2,017,410
Loss allowance	(44,170)	(3,782)
Total placements with banks and other financial institutions	19,147,705	2,013,628

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

None of the balances of placements are credit-impaired or past due. As at 30 June 2020 and 31 December 2019 an allowance is recognised based on 12-month expected credit losses.

As at 30 June 2020 the Company placed a term deposits bearing the interest rates of 9.00%, 9.25% and 9.50% per annum and maturing in July, September, October and December 2020.

As at 30 June 2020 the Company has one bank (2019: no banks) whose balances exceed 10% of equity. The gross value of the balance as at 30 June 2020 was KZT 10,141,256 thousand.

8 Investment securities

KZT'000	30 June 2020 (unaudited)			Total
	12-month expected credit losses (ECL)	Lifetime ECL for assets not credit-impaired	Lifetime ECL for credit- impaired assets	
<i>Investment securities measured at amortised cost</i>				
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,530,832	-	-	1,530,832
Notes of the National Bank of the RK	5,482,975	-	-	5,482,975
Corporate bonds				
- rated from B+ to B-	10,986,072	-	-	10,986,072
- not rated	-	-	2,102,726	2,102,726
	17,999,879	-	2,102,726	20,102,605
Loss allowance	(19,884)	-	(2,102,726)	(2,122,610)
Carrying amount	17,979,995	-	-	17,979,995
	31 December 2019			
KZT'000	12-month expected credit losses (ECL)	Lifetime ECL for assets not credit-impaired	Lifetime ECL for assets credit- impaired	Total
<i>Investment securities measured at amortised cost</i>				
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 credit ratings agency or analogues of similar international agencies.

Analysis of movements in the impairment allowance of investment securities measured at amortised cost by three ECL stages for the six months ended 30 June 2020 and 30 June 2019 are as follows:

	Six months ended 30 June 2020, unaudited		
	12-month expected credit losses (ECL)	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	23,296	2,102,726	2,126,022
Net remeasurement of loss allowance, unaudited	(13,158)	-	(13,158)
New financial assets originated or purchased	9,746	-	9,746
Balance at the end of the period, unaudited	19,884	2,102,726	2,122,610

	Six months ended 30 June 2019, unaudited		
	12-month expected credit losses	Lifetime ECL for credit- impaired assets	KZT'000
Balance at the beginning of the period	2,849	2,102,726	2,105,575
Net remeasurement of loss allowance, unaudited	(50)	-	(50)
New financial assets originated or purchased	24,834	-	24,834
Balance at the end of the period, unaudited	27,633	2,102,726	2,130,359

9 Loans to customers

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 loans comprise KZT and USD denominated mortgage loans due from individuals who are residents of the Republic of Kazakhstan.

All loans are secured by the underlying housing real estate.

	Unaudited 30 June 2020 KZT'000	31 December 2019 KZT'000
Gross mortgage loans	66,388,665	66,981,591
Loss allowance	(6,568,794)	(4,318,344)
Net loans to customers	59,819,871	62,663,247

During the reporting period ended 30 June 2020, the Company purchased mortgage loans portfolios from one mortgage organisation (2019: purchased mortgage loans portfolios from two commercial banks). The loans purchased in 2020 were recognised at fair value for the total amount of KZT 74,039 thousand (2019: KZT 9,997,366 thousand).

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 30 June 2020 and 31 December 2019:

30 June 2020 (unaudited)					
KZT'000	12-month expected credit losses	Lifetime ECL of assets not credit- impaired	Lifetime ECL for assets credit- impaired	Purchased credit- impaired at initial recognition	Total
- not overdue	43,848,513	7,004,800	1,320,579	107,113	52,281,005
- overdue less than 30 days	2,816,102	311,565	112,597	14,252	3,254,516
- overdue 30-89 days	-	2,284,896	151,081	18,777	2,454,754
- overdue 90-179 days	131,777	-	4,486,892	23,646	4,642,315
- overdue 180-360 days	-	-	762,151	6,934	769,085
- overdue more than 360 days	-	-	2,986,990	-	2,986,990
	46,796,392	9,601,261	9,820,290	170,722	66,388,665
Loss allowance	(1,535,620)	(736,758)	(4,125,694)	(170,722)	(6,568,794)
Carrying amount	45,260,772	8,864,503	5,694,596	-	59,819,871

31 December 2019					
KZT'000	12-month expected credit losses	Lifetime ECL of assets not credit- unimpaired	Lifetime ECL for assets credit- impaired	Purchased credit- impaired at initial recognition	Total
- not overdue	58,132,344	667,173	1,306,676	144,605	60,250,798
- overdue less than 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

A state of emergency was declared in Kazakhstan during the period from 16 March to 11 May 2020 due to the coronavirus pandemic. During the period from 15 March to 15 June the borrowers were provided a deferment of payment as part of the procedure of suspension of payment of the principal debt and interest in relation to the loans issued to individuals and business entities that have suffered as a result of introduction of the state of emergency. As at 30 June 2020 the loans overdue 90-179 days are classified to Stage 1, as there were technical defaults prior to the period of introduction of the state of emergency, which were subsequently repaid.

As at 30 June 2020 the carrying amounts of loans with full recourse and partial recourse to the seller were KZT 17,254,551 thousand and KZT 536,557 thousand, respectively (31 December 2019: KZT 23,668,110 thousand and KZT 5,661,955 thousand, respectively).

In accordance with agreements on partial recourse to the seller, the recourse options do not exceed 20-25% of the total principal amount of mortgage loans at the date of purchase of those loans.

(b) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals and by three ECL stages for the six months ended 30 June 2020 and 30 June 2019 are as follows:

KZT'000	Six months ended 30 June 2020 unaudited				Total
	12-month expected credit losses	Lifetime ECL of assets not credit- impaired	Lifetime ECL for credit- impaired assets	Credit- impaired assets on initial recognition	
Impairment allowance as at the beginning of the period	614,135	209,234	3,343,279	151,696	4,318,344
Transfer to Stage 1	33,972	(32,870)	(1,102)	-	-
Transfer to Stage 2	(63,361)	68,803	(5,442)	-	-
Transfer to Stage 3	(58,929)	(56,917)	115,846	-	-
Net remeasurement	781,190	527,662	647,402	-	1,956,254
New financial assets originated or purchased	266,401	-	-	18,940	285,341
Transfers on newly created loans to other stages	(38,190)	21,044	17,146	-	-
Write-off	-	-	(35,302)	-	(35,302)
Movements in foreign exchange rates and other movements	(10)	-	-	-	(10)
Unwinding of discount and other movements	412	(198)	43,867	86	44,167
Impairment allowance as at the end of the period	1,535,620	736,758	4,125,694	170,722	6,568,794

KZT'000	Six months ended 30 June 2019, unaudited			KZT'000
	12-month expected credit losses	Lifetime ECL of assets not credit-impaired	Lifetime ECL for credit- impaired assets	
Impairment allowance as at the beginning of the period	651,134	59,750	3,975,827	4,686,711
Transfer to Stage 1	5,438	(4,548)	(890)	-
Transfer to Stage 2	(21,018)	285,153	(264,135)	-
Transfer to Stage 3	(3,090)	(3,405)	6,495	-
Net remeasurement	(335,496)	71,069	(176,284)	(440,711)
New financial assets originated or purchased	177,005	9,978	8,430	195,413
Write-off	-	-	(142,303)	(142,303)
Foreign currency translation differences	(124)	-	-	(124)
Impairment allowance as at the end of the period	473,849	417,997	3,407,140	4,298,986

The significant changes in the gross carrying amount of the mortgage loan receivables are further explained below:

KZT'000	Six months ended 30 June 2020				
	unaudited				
	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
Transfers to Stage 1	597,688	(551,642)	(46,046)	-	-
Transfers to Stage 2	(8,716,574)	8,779,979	(63,405)	-	-
Transfers to Stage 3	(4,193,886)	(450,541)	4,644,427	-	-
New financial assets originated or purchased	6,209,073	-	-	18,940	6,228,013
Transfers on new originated or purchased financial assets	(535,937)	455,248	80,689	-	-
Repayments (early or partial repayment)	(6,492,793)	(146,103)	(190,908)	-	(6,829,804)
Write-offs	-	-	(35,302)	-	(35,302)
Unwinding of discount	412	(198)	43,867	86	44,167
Balance at 30 June	46,796,392	9,601,261	9,820,290	170,722	66,388,665
	Six months ended 30 June 2019,				
	unaudited				
KZT'000	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
Transfers to Stage 1	586,720	(336,620)	(250,100)	-	-
Transfers to Stage 2	(650,829)	1,816,774	(1,165,945)	-	-
Transfers to Stage 3	(172,031)	(41,867)	213,898	-	-
New financial assets originated or purchased	13,626,043	32,029	15,471	90,254	13,763,797
Repayments (early or partial repayment)	(5,389,810)	(153,574)	(534,884)	-	(6,078,268)
Write-offs	-	-	(142,303)	-	(142,303)
Balance at 30 June	48,221,974	1,889,474	5,094,798	90,254	55,296,500

10 Finance lease receivables

The components of net investments in finance lease as at 30 June 2020 and 31 December 2019 are as follows:

	Unaudited 30 June 2020 KZT'000	31 December 2019 KZT'000
Less than 1 year	11,033,024	10,777,612
From 1 to 2 years	11,197,111	10,966,770
From 2 to 3 years	11,195,865	10,966,455
From 3 to 4 years	11,194,846	10,964,345
From 4 to 5 years	11,191,515	10,964,037
More than five years	131,134,556	133,125,436
Minimum lease payments	186,946,917	187,764,655
Less unearned finance income		
Less than 1 year	(3,863,484)	(4,240,135)
From one year to five years	(15,844,459)	(15,923,361)
More than five years	(21,818,230)	(22,895,859)
Less unearned finance income, total	(41,526,173)	(43,059,355)
Less: Loss allowance	(2,172,439)	(914,264)
Net investment in finance lease	143,248,305	143,791,036

Credit quality of finance lease receivables

The following table provides information on the credit quality of finance lease receivables as at 30 June 2020 and 31 December 2019:

KZT'000	30 June 2020 (unaudited)			
	12-month expected credit losses	Lifetime ECL for assets not credit-impaired	Lifetime ECL for credit- impaired assets	Total
Not overdue	124,611,191	553,006	486,284	125,650,481
Overdue less than 30 days	8,643,571	186,363	4,938	8,834,872
Overdue 30-89 days	805,991	5,254,254	59,056	6,119,301
Overdue 90-179 days	361,771	-	3,244,916	3,606,686
Overdue more than 180-360 days	-	-	932,199	932,199
Overdue more than 360 days	-	-	277,204	277,204
	134,422,524	5,993,623	5,004,597	145,420,744
Loss allowance	(835,109)	(561,568)	(775,762)	(2,172,439)
Carrying amount	133,587,415	5,432,055	4,228,835	143,248,305
KZT'000	31 December 2019			
	12-month expected credit losses	Lifetime ECL for assets not credit-impaired	Lifetime ECL for credit- impaired assets	Total
Not overdue	130,517,860	369,758	111,576	130,999,194
Overdue less than 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 more than 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

A state of emergency was declared in Kazakhstan during the period from 16 March to 11 May 2020 due to the coronavirus pandemic. During the period from 15 March to 15 June the lessees were provided a deferment of payment as part of the procedure of suspension of payment of the principal debt and interest in relation to finance lease and loans issued to individuals and business entities that have suffered as a result of introduction of the state of emergency. As at 30 June 2020 finance lease receivables overdue 31-179 days are classified to Stage 1, as there were technical defaults prior to the period of introduction of the state of emergency, which were subsequently repaid.

Movements in the loan impairment allowance by classes of finance lease receivables and three ECL stages for the six months ended 30 June 2020 and 30 June 2019 are as follows:

	Six months ended 30 June 2020			
	unaudited			
	12-month expected credit losses	Lifetime ECL for assets not credit-impaired	Lifetime ECL for credit- impaired assets	KZT'000
Impairment allowance as at the beginning of the period	311,070	391,984	211,210	914,264
Transfer to Stage 1	13,119	(9,929)	(3,190)	-
Transfer to Stage 2	(12,910)	37,948	(25,038)	-
Transfer to Stage 3	(6,696)	(145,587)	152,283	-
Net remeasurement, unaudited	509,361	284,424	176,011	969,796
New financial assets originated or purchased	21,165	2,728	-	23,893
Unwinding of discount	-	-	264,486	264,486
Impairment allowance as at the end of the period, unaudited	835,109	561,568	775,762	2,172,439

	Six months ended 30 June 2019,			
	unaudited			
	12-month expected credit losses	Lifetime ECL for assets not credit-impaired	Lifetime ECL for credit- impaired assets	KZT'000
Impairment allowance as at the beginning of the period, unaudited	226,125	393,335	105,777	725,237
Transfer to Stage 1	5,492	(5,034)	(458)	-
Transfer to Stage 2	(7,391)	28,282	(20,891)	-
Transfer to Stage 3	(951)	(60,116)	61,067	-
Net charge, unaudited	31,182	122,094	17,363	170,639
New financial assets originated or purchased	9,059	-	-	9,059
Impairment allowance as at the end of the period, unaudited	263,516	478,561	162,858	904,935

The significant changes in the gross carrying amount of the finance lease receivables are further explained below:

KZT'000	Six months ended 30 June 2020			
	unaudited			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	139,141,486	3,624,795	1,939,019	144,705,300
Transfers to Stage 1	1,786,093	(1,334,532)	(451,561)	-
Transfers to Stage 2	(4,831,833)	5,071,256	(239,423)	-
Transfers to Stage 3	(2,263,599)	(1,301,020)	3,564,619	-
New financial assets originated or purchased	3,547,777	36,578	-	3,584,355
Financial assets derecognised	(2,957,400)	(103,454)	(72,543)	(3,133,397)
Unwinding of discount	-	-	264,486	264,486
Balance at 30 June	134,422,524	5,993,623	5,004,597	145,420,744

**Six months ended 30 June 2019,
 unaudited**

KZT'000	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	136,561,311	4,169,000	1,148,022	141,878,333
Transfers to Stage 1	2,623,791	(2,370,036)	(253,755)	-
Transfers to Stage 2	(3,288,687)	3,459,667	(170,980)	-
Transfers to Stage 3	(468,536)	(676,360)	1,144,896	-
New financial assets originated or purchased	4,162,492	-	-	4,162,492
Transfers on new originated or purchased financial assets	(90,710)	32,029	58,681	-
Financial assets that have been derecognised	(2,063,522)	(175,038)	(107,071)	(2,345,631)
Balance at 30 June	137,436,139	4,439,262	1,819,793	143,695,194

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 from 15 years 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.

11 Assets to be transferred under finance lease agreements

Assets to be transferred under finance lease agreements comprise the residential complexes purchased and constructed by the Company during the reporting period, which the Company is planning to transfer to the lessees in 2020.

The major portion of the assets relates to assets to be transferred under Nurly Zher Programme.

As at 30 June 2020, the largest micro districts constructed and acquired by the Company are located in the cities of Almaty, Aktobe and Aktau in the total amount of KZT 2,644,737 thousand (31 December 2019: micro districts in city of Aktau, Kostanai, Aktobe in the total amount of KZT 1,482,688 thousand).

12 Other assets

	2020 KZT'000	2019 KZT'000
Receivables from purchase of financial assets	5,965,590	-
Other receivables	80,144	75,496
Receivables from sale of assets held for sale	34,382	48,990
Receivables on loan refinancing	16,400	20,880
Impairment allowance	(109,352)	(99,275)
Total other financial assets	5,987,164	46,091
Intangible assets	287,936	211,532
Other prepayment	109,447	125,367
Foreclosed property	80,439	573,827
Receivables from state duties	31,010	31,102
Inventories	23,839	17,239
Other	73,016	178,778
Total other non-financial assets	605,687	1,137,845
Total other assets	6,592,851	1,183,936

Accounts receivable from purchase of financial assets are attributable to transfer of cash to custodial account with SB Sberbank JSC for purchase of notes of the National Bank of the RK. The notes were purchased on 1 July 2020.

Foreclosed property comprises real estate collateral accepted by the Company in exchange for its rights and obligations under impaired mortgage loans.

Impairment allowance in the amount of KZT 109,532 thousand relates to receivables from sale of assets held for sale not repaid within the contractual term.

13 Debt securities issued

In accordance with the bond issue prospects, in April 2020 the Company repaid debt securities (ISIN: KZ2C00001741) for the total amount of KZT 6,507,000 thousand, as well as paid interest in the amount of KZT 227,745,000 thousand. Repayment of the principal and interest on the bonds was made due to the end of the circulation period of these bonds.

14 Equity

(a) 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 six months ended 30 June 2020, the Company declared dividends in the amount of KZT 2,577,532 thousand (KZT 423.84 per share), unaudited (during the six months ended 30 June 2019: the Company declared dividends in the amount of KZT 1,385,764 thousand (KZT 227.87 per share), unaudited).

(b) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit or loss for the period attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period.

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019
Profit for the period, in thousands of KZT	1,836,885	4,290,062
Weighted average number of ordinary shares	6,081,380	6,081,380
Basic and diluted earnings per share, in KZT	302	705

15 Risk management

Management of risk is fundamental to the mortgage business and is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk.

As at 30 June 2020 there have been no significant changes in relation to market and liquidity risks since 31 December 2019, except those disclosed below.

To reflect adequately the uncertainties associated with a drop of market prices of assets and COVID-19 pandemic, the Company has updated forward-looking information used in the models for measurement of expected credit losses, including forecast of macroeconomic indicators for the first half of 2020, given the following:

- limitation of business activity as a result of decrease of income of enterprises and individuals;
- updated forecasts of oil prices and Kazakhstan GDP;
- impact of developments on various sectors of economy.

To calculate allowance for expected credit losses at 30 June 2020, the Company:

- has remeasured both 12-month PD and lifetime PD of financial instruments by updating the risk factors, including macro adjustments. Worsening of forecasts for the following 12-month risk factors has resulted in the increased value of 12-month PD. Worsening of forecast of “GDP Growth” risk factor is negative versus the GDP growth forecast in the Republic of Kazakhstan in 2019;
- has transferred certain borrowers from Stage 1 to Stage 2;
- has transferred certain borrowers from Stage 2 to Stage 3.

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

	Unaudited 30 June 2020 KZT'000	2019 KZT'000
ASSETS		
Cash and cash equivalents	5,861,554	32,735,123
Placements with banks and other financial institutions	19,147,705	2,013,628
Investment securities measured:		
- at fair value through profit or loss	2,804,106	2,719,292
- at amortised cost	17,979,995	19,918,195
Loans to customers	59,819,871	62,663,247
Finance lease receivables	143,248,305	143,791,036
Other financial assets	5,987,164	46,091
Total maximum exposure to credit risk	254,848,700	263,886,612

16 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 does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(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

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, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in 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.

17 Related party transactions

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration included in employee compensation:

	Unaudited Six months ended 30 June 2020 KZT'000	Unaudited Six months ended 30 June 2019 KZT'000
Members of the Board of Directors	8,564	7,943
Members of the Management Board	60,347	64,243
	68,911	72,186

The above amounts include non-cash benefits in respect of the members of the Management Board. The outstanding balances as of 30 June 2020 and 31 December 2019 with the members of the Management Board and the Board of Directors are as follows:

	Unaudited 30 June 2020 KZT'000	Unaudited Average interest rate	31 December 2019 KZT'000	Average interest rate
Condensed Interim Statement of Financial Position				
Other liabilities	19,978	-	39,870	-

(b) Transactions with other related parties

Other related parties include Baiterek Group and other state organisations.

The amounts below are included in the condensed interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2020 and 30 June 2019:

	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2019
	Baiterek Group KZT'000	Other state organisations KZT'000	Baiterek Group KZT'000	Other state organisations KZT'000
Condensed Interim Statement of Profit or Loss				
Interest income	2,191,880	1,250,407	2,263,438	645,491
Interest expense	(2,071,263)	(1,029,800)	(2,005,512)	(449,846)
Fee and commission expense	-	(554)	-	(407)
Other income	-	18,362	-	31,134
General administrative expenses	(4,670)	(210,252)	(4,614)	(208,361)
Impairment allowance	(266)	3,450	16,660	-
Income tax expense	-	(480,626)	-	(597,677)

The balances with related parties as at 30 June 2020 include:

	Unaudited Baiterek Group		Unaudited Other state organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Cash and cash equivalents	2,967,433	7.00%	1,946,044	9.56%
Investment securities measured at amortised cost	-	-	7,001,339	5.57%
Current tax asset	-	-	990,849	-
Other assets	-	-	49,469	-
Debt securities issued	22,793,967	9.45%	17,256,408	10.05%
Other borrowed funds	29,352,783	0.15%	5,121,194	0.10%
Deferred income	-	-	-	-
Dividends payable	-	-	-	-
Deferred tax liability	-	-	2,144,592	-
Other liabilities	93,314	-	405,697	-

The balances with related parties as at 31 December 2019 include:

	Baiterek Group		State organisations	
	KZT'000	Average interest rate, %	KZT'000	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%
Deferred income	98,052,131	-	-	-
Deferred tax liability	-	-	1,870,669	-
Other liabilities	93,178	-	129,846	-

18 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 30 June 2020:

Unaudited KZT'000	Amortised cost	Fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	5,861,554	-	5,861,554	5,861,554
Placements with banks and other financial institutions	19,147,705	-	19,147,705	19,147,705
Investment securities measured:				
- at fair value through profit or loss	-	2,804,106	2,804,106	2,804,106
- at amortised cost	17,979,995		17,979,995	17,520,057
Loans to customers	59,819,871	-	59,819,871	43,933,474
Finance lease receivables	143,248,305	-	143,248,305	84,355,586
Other financial assets	5,987,164	-	5,987,164	5,987,164
	252,044,594	2,804,106	254,848,700	179,609,646
Debt securities issued	61,116,461	-	61,116,461	52,007,953
Other borrowed funds	34,473,977	-	34,473,977	18,101,098
Other financial liabilities	2,034,600	-	2,034,600	2,034,600
	97,625,038	-	97,625,038	72,143,651

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	Fair value through profit or loss	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	22,677,714
Other financial liabilities	1,796,890	-	1,796,890	1,796,890
	102,870,068	-	102,870,068	88,393,144

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 determination 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, 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 to determine the fair value of common and more simple financial instruments, such as 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 following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 14.02% - 16.9% are used for discounting future cash flows from loans to customers (2019: 11.9% - 15.07%);
- discount rate of 10.64% is used for discounting future cash flows from finance lease receivables (2019: 9.1%);
- discount rates of 10.51%-13% are used for discounting future cash flows from other borrowed funds (2019: 9.1%-9.36%).

(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 identical or similar instruments; quoted prices for 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 differences between the instruments.

The table below analyses financial instruments measured at fair value in the condensed interim statement of financial position as at 30 June 2020 and statement of financial position as at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets	Level 2	Level 3	Total
Investment securities at fair value through profit or loss:	1,829,166	974,940	2,804,106
	1,829,166	974,940	2,804,106

Financial assets	Level 2	Level 3	Total
Investment securities 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 measurement of financial instruments at fair value through profit or loss categorised at Level 3 in the fair value hierarchy are as follows.

Financial assets	30 June 2020	30 June 2019
Balance at the beginning of the period	933,590	-
Transferred to instruments of Level 3	-	933,590
Net gain on investment securities at fair value through profit or loss	41,350	-
Balance at the end of the period	974,940	933,590

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 30 June 2020:

Unaudited KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	5,861,554	-	5,861,554	5,861,554
Placements with banks and other financial institutions	19,147,705	-	19,147,705	19,147,705
Loans to customers	42,070,010	1,863,464	43,933,474	59,819,871
Finance lease receivables	82,310,998	2,044,588	84,355,586	143,248,305
Liabilities				
Debt securities issued	52,007,953	-	52,007,953	61,116,461
Other borrowed funds	18,101,098	-	18,101,008	34,473,977

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	22,677,714	-	22,677,714	33,389,460

19 Capital management

	Unaudited 30 June 2020	2019 ‘000 KZT
Tier 1 capital		
<i>Share capital</i>	60,728,939	60,728,939
General reserve	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Intangible assets	(65,716)	(55,831)
Statutory accumulated losses for prior periods	(2,771,238)	(8,785,472)
Total tier 1 capital	66,449,288	60,444,939
Tier 2 capital		
Net profit for the year in accordance with the NBRK requirements	1,836,885	8,591,766
Total tier 2 capital	1,836,885	8,591,766
Total capital	68,286,173	69,036,705
Total statutory assets	264,778,391	272,706,193
Credit risk weighted assets and contingent liabilities	235,675,532	220,064,309
Operational risk	7,537,759	6,843,314
Total credit risk weighted assets and contingent liabilities plus operational risk	243,213,291	226,907,623
K1 ratio	25%	22%
k1-2 ratio	28%	27%
k1-3 ratio	28%	30%

The table above shows the composition of the capital position calculated in accordance with the NBRK statutory rules.

As at 30 June 2020 and 31 December 2019 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

20 Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *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.

21 Subsequent events

Baiterek National Managing Holding JSC, the Company's sole shareholder, made decision on 16 July 2020, No. 34/20, to approve a contract of merger of its subsidiary Baiterek Development JSC with the Company, and an act of transfer and acceptance by the companies. As at 30 June 2020 the assets of Baiterek Development JSC amounted to KZT 722,254,252 thousand (unaudited), net distributable assets amounted to KZT 101,536,063 thousand (unaudited).