



Kazakhstan Housing Company JSC

Unaudited Condensed Interim

Financial Statements

for the six months ended

30 June 2021

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Board of Directors and Management Board of Kazakhstan Housing Company JSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Kazakhstan Housing Company JSC (the "Company") as at 30 June 2021, the 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.



Kazakhstan Housing Company JSC

Independent Auditors' Report on Review of Condensed Interim Financial Information

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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 2021 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

2 August 2021

Kazakhstan Housing Company JSC
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021


| | | Unaudited Six months ended 30 June 2021 '000 KZT | Unaudited Six months ended 30 June 2020 '000 KZT |
|---|----------|---|---|
| Interest income calculated using the effective interest method | | 62,340,836 | 6,538,547 |
| Other interest income | | 6,892,992 | 4,552,523 |
| Interest expense | | (49,479,588) | (4,331,341) |
| Net interest income | 4 | 19,754,240 | 6,759,729 |
| Fee and commission income | | 47,601 | 9,186 |
| Fee and commission expense | | (271,484) | (173,845) |
| Net fee and commission income | | (223,883) | (164,659) |
| Net foreign exchange gain | | 12,580 | 41,772 |
| Net gain on investment securities measured at fair value through profit or loss | | 93,629 | 42,569 |
| Net insurance premiums earned | 6 | 825,290 | - |
| Other operating income/(expenses) | 7 | 1,658,797 | 175,556 |
| Operating income | | 22,120,653 | 6,854,967 |
| Credit (losses)/gain on reversal of impairment of debt financial instruments | 5 | 1,282,801 | (3,257,247) |
| Provisions for guarantees issued | | (820,057) | - |
| Personnel expenses | | (1,383,506) | (800,892) |
| General administrative expenses | | (745,612) | (479,317) |
| Profit before income tax | | 20,454,279 | 2,317,511 |
| Income tax expense | 8 | (1,936,211) | (480,626) |
| Profit and total comprehensive income for the period | | 18,518,068 | 1,836,885 |
| Basic and diluted earnings per share, in KZT | 18(b) | 1,050 | 302 |

These condensed interim financial statements as set out on pages 5 to 35 were approved by management on 2 August 2021 and were signed on its behalf by:



R.M. Issayev
Chairman of the Board


 B.D. Sagimkulova
Financial Director,
Member of the Board


 Sh. Zhumanova
Deputy 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.

Kazakhstan Housing Company JSC
Condensed Interim Statement of Financial Position as at 30 June 2021

| | Note | Unaudited 30 June 2021 ‘000 KZT | 31 December 2020 ‘000 KZT |
|---|------|---------------------------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 9 | 148,580,253 | 63,619,060 |
| Placements with banks and other financial institutions | 10 | 64,641,001 | 69,728,933 |
| Investment securities: | | | |
| - at fair value through profit or loss | | 3,074,338 | 2,932,039 |
| - at amortised cost | 11 | 850,206,174 | 917,887,952 |
| Loans to customers and long-term receivables from sale of real estate under instalment agreements | 12 | 134,506,919 | 135,292,670 |
| Finance lease receivables | 13 | 160,868,488 | 164,270,564 |
| Current tax asset | | 3,170,649 | 2,843,520 |
| Advances paid for acquisition and construction of real estate | | - | 147,859 |
| Assets to be transferred under finance lease agreements | | 4,849,177 | 4,121,178 |
| Construction-in-progress | | 783,710 | 1,883,436 |
| Property, plant and equipment | | 4,897,690 | 4,867,901 |
| Investment property | | 5,581,693 | 5,834,999 |
| Non-current assets held for sale | | 262,067 | 306,540 |
| Other assets | | 1,080,879 | 1,201,557 |
| Total assets | | 1,382,503,038 | 1,374,938,208 |
| EQUITY AND LIABILITIES | | | |
| Debt securities issued | 14 | 734,791,438 | 738,066,735 |
| Other borrowed funds | 15 | 215,890,572 | 208,647,686 |
| Government grants | 16 | 183,826,387 | 197,563,476 |
| Deferred income and provision for guarantees issued | 17 | 14,565,018 | 13,456,567 |
| Deferred tax liability | | 13,034,986 | 11,098,775 |
| Other liabilities | | 7,676,813 | 5,853,535 |
| Total liabilities | | 1,169,785,214 | 1,174,686,774 |
| Equity | 18 | | |
| Share capital | | 193,432,016 | 193,432,016 |
| Share premium | | 12,661 | 12,661 |
| Treasury shares | | (2,597,522) | (2,597,522) |
| Additional paid-in capital | | 3,389,392 | 3,389,392 |
| Reserve capital | | 2,734,447 | 2,734,447 |
| Retained earnings | | 15,746,830 | 3,280,440 |
| Total equity | | 212,717,824 | 200,251,434 |
| Total equity and liabilities | | 1,382,503,038 | 1,374,938,208 |

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.

Kazakhstan Housing Company JSC
Condensed Interim Statement of Cash Flows for the six months ended 30 June 2021

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest receipts | 34,179,514 | 7,632,514 |
| Interest payments | (9,679,918) | (3,290,211) |
| Fee and commission receipts | 58,393 | 9,186 |
| Fee and commission payments | (265,283) | (171,817) |
| Other income (expenses) receipts | 109,595 | 115,805 |
| Personnel expenses payments | (1,262,783) | (856,027) |
| Other general and administrative expenses payments | (1,232,215) | (484,636) |
| | 21,907,303 | 2,954,814 |
| (Increase)/decrease in operating assets | | |
| Placements with banks and other financial institutions | 5,988,413 | (17,021,966) |
| Financial assets at fair value through profit or loss | 6,651 | 1,612 |
| Loans to customers and long-term receivables from sales of real estate under instalment agreements | 6,892,451 | 1,774,226 |
| Assets to be transferred under finance lease agreements | (4,379,773) | (4,703,055) |
| Construction-in-progress | (17,413) | (111,413) |
| Finance lease receivables | 8,031,901 | 3,231,007 |
| Other assets | 140,926 | (611,196) |
| Increase/(decrease) in operating liabilities | | |
| Government grants | 159,009 | 304,329 |
| Deferred income on guarantees issued | 1,283,759 | - |
| Other liabilities | (466,405) | (94,535) |
| Increase/(decrease) in cash from operating activities before interest and income tax paid | 39,546,822 | (14,276,177) |
| Income tax paid | (52,140) | (16,868) |
| Cash flows used in operating activities | 39,494,682 | (14,293,045) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of investment securities measured at amortised cost | (321,124,486) | (46,044,654) |
| Repayment of investment securities measured at amortised cost | 407,323,267 | 42,500,000 |
| Acquisition of property, plant and equipment and intangible assets | (74,143) | (1,908) |
| Proceeds from sale of investment property | 70,700 | 9,923 |
| Cash flows from/(used in) investing activities | 86,195,338 | (3,536,639) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repurchase/repayment of debt securities issued | (65,000,000) | (6,507,000) |
| Proceeds from debt securities issued | 30,467,812 | - |
| Dividends paid | (6,051,678) | (2,577,532) |
| Cash flows used in financing activities | (40,583,866) | (9,084,532) |
| Net increase/(decrease) in cash and cash equivalents | 85,106,154 | (26,914,216) |
| Effect of movements in exchange rates on cash and cash equivalents | 12,545 | 15,556 |
| Effect of movements in ECL on cash and cash equivalents | (157,506) | 25,091 |
| Cash and cash equivalents at the beginning of the period | 63,619,060 | 32,735,123 |
| Cash and cash equivalents at the end of the period (Note 9) | 148,580,253 | 5,861,554 |

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.

Kazakhstan Housing Company JSC
Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2021

| | Share capital | Share premium | Treasury shares | Additional paid-in capital | Reserve capital | (Accumulated losses)/ retained earnings | Total |
|---|---------------|---------------|-----------------|----------------------------|-----------------|---|-------------|
| '000 KZT | | | | | | | |
| 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 | | | | | | | |
| Dividends declared and paid (Note 18 (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 |
| Balance at 1 January 2021 | 193,432,016 | 12,661 | (2,597,522) | 3,389,392 | 2,734,447 | 3,280,440 | 200,251,434 |
| Total comprehensive income | | | | | | | |
| Profit for the period, unaudited | - | - | - | - | - | 18,518,068 | 18,518,068 |
| Total comprehensive income for the period, unaudited | | | | | | | |
| Dividends declared and paid (Note 18 (a)) | - | - | - | - | - | (6,051,678) | (6,051,678) |
| Balance at 30 June 2021, unaudited | 193,432,016 | 12,661 | (2,597,522) | 3,389,392 | 2,734,447 | 15,746,830 | 212,717,824 |

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 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 activities;
- financing and implementation of investment projects, including through the acquisition of bonds of local executive bodies;
- conditional placement of funds with second-tier banks and lending 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 construction of multi-apartment residential buildings, dwelling houses/residential buildings, and their 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 licence No. 5.1.69 to carry out banking lending operations.

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 55A Mangilik Yel 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 30 June 2020 and 31 December 2019 the Company is wholly owned by Baiterek National Management Holding 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 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 a 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 stabilising the oil market, which, however, has not been able to reverse the downward pressure on the oil market.

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

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

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

Taking into account the Company's current operational and financial performance along with other currently available public information during the period ended 30 June 2021, the Company adjusted macroeconomic indicators used in the estimate 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.

The 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 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 2020.

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 judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The significant judgements 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, and included in the following notes: investment securities (Note 11), loans to customers and long-term receivables from sales of real estate under instalment agreements (Note 12), finance lease receivables (Note 13), debt securities issued (Note 14), risk management (Note 19), and fair value of financial assets and liabilities (Note 22).

(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 2020.

4 Net interest income

| | Unaudited Six months ended 30 June 2021 '000 KZT | Unaudited Six months ended 30 June 2020 '000 KZT |
|---|---|---|
| Interest income calculated using the effective interest method | | |
| Financial assets measured at amortised cost | | |
| Investment securities measured at amortised cost | 48,529,374 | 1,099,322 |
| Loans to customers | 7,700,391 | 3,875,147 |
| Reverse repurchase agreements | 2,780,578 | 792,845 |
| Placements with banks and other financial institutions | 2,653,424 | 558,466 |
| Cash and cash equivalents | 593,083 | 128,050 |
| Other assets | 83,986 | 84,717 |
| | 62,340,836 | 6,538,547 |
| Other interest income | | |
| Finance lease receivables | 6,751,284 | 4,439,565 |
| Investment securities measured at fair value through profit or loss | 141,708 | 112,958 |
| | 6,892,992 | 4,552,523 |
| Interest expense | | |
| Debt securities issued | (41,812,232) | (3,134,367) |
| Other borrowed funds | (7,667,356) | (1,196,974) |
| | (49,479,588) | (4,331,341) |
| Net interest income | 19,754,240 | 6,759,729 |

Interest income on finance lease receivables for the six months ended 30 June 2021 includes the amortisation of government grants of KZT 3,983,035 thousand, unaudited (for the six months ended 30 June 2020: KZT 2,071,965 thousand, unaudited) (Note 16).

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

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|--|---|---|
| Finance lease receivables (Note 13) | (674,849) | (993,689) |
| Loans to customers (Note 12) | 2,123,791 | (2,241,596) |
| Cash and cash equivalents | (157,506) | 25,091 |
| Placements with banks and other financial institutions | 63,537 | (40,388) |
| Investment securities measured at amortised cost | 206,809 | 3,412 |
| Other financial assets | (278,981) | (10,077) |
| | 1,282,801 | (3,257,247) |

6 Net insurance premiums earned

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|--|---|---|
| Fees under financial guarantee contracts related to construction contracts (insurance premium) | 824,852 | - |
| Financial guarantee fees | 438 | - |
| | 825,290 | - |

Fees under financial guarantee contracts related to construction contracts recognised for the year ended 30 June 2021 arise as a result of amortisation of fees received under guarantees related to construction companies, which are accounted for under IFRS 4 *Insurance Contracts*.

7 Other operating income/(expenses)

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|---|---|---|
| Loss on recognition of initial discount on purchased long-term securities (Note 11) | (9,579,717) | - |
| Gain on recognition of initial discount on issued bonds | 1,236,278 | - |
| Income from utilisation of government grants (Note 16) | 9,754,053 | - |
| Loss on derecognition of financial assets measured at amortised cost | - | (19,713) |
| Expenses on leasing out investment property | (212,654) | (2,963) |
| Rental income from investment property | 428,813 | 3,750 |
| Net loss related to operation of real estate properties | 44,040 | 141,217 |
| Other income | (12,016) | 53,265 |
| | 1,658,797 | 175,556 |

During the six months ended 30 June 2021, the Company purchased bonds issued by local executive bodies in the amount of KZT 62,904,866 thousand (the six months ended 30 June 2020: none) maturing in 2022-2032 (Note 14). On initial recognition the difference between the fair value and purchase value in the form of discount was KZT 9,579,717 thousand, which was offset by utilising government grant in the equivalent amount.

8 Income tax expense

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|---|---|---|
| Current year tax expense | - | (214,490) |
| Underprovided in prior periods | - | 7,787 |
| Movement in deferred tax assets/deferred tax liabilities due to origination and reversal of temporary differences and movement in estimated allowance | (1,936,211) | (273,923) |
| Total income tax expense | (1,936,211) | (480,626) |

In the reporting period, the applicable tax rate for current and deferred tax is 20% (2020: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | % | Unaudited Six months ended 30 June 2020 ‘000 KZT | % |
|--|--|------------|--|-------------|
| Profit before income tax | 20,454,279 | 100 | 2,284,713 | 100 |
| Income tax at the applicable tax rate | (4,090,856) | (20) | (456,943) | (20) |
| Non-taxable interest income on securities | 2,444,267 | 12 | 242,456 | 11 |
| Non-deductible impairment losses | (286,121) | (1) | (209,608) | (9) |
| Other non-deductible expenses | (3,501) | - | (14,304) | - |
| Change in deferred tax asset for the previous year | - | - | 2,504 | (3) |
| Underprovided in prior periods | - | - | (44,733) | - |
| | (1,936,211) | (9) | (480,626) | (21) |

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the condensed interim financial statements may differ from management’s estimate of the effective tax rate for the annual financial statements.

9 Cash and cash equivalents

| ‘000 KZT | 30 June 2021 (unaudited) | | | |
|---|---|---|-----------------------------------|--------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Total |
| Nostro accounts with the NBRK | 99,215,790 | - | - | 99,215,790 |
| Nostro accounts with other banks | | | | |
| - rated BBB+ | 932,772 | - | - | 932,772 |
| - rated BBB- | 12,672,038 | - | - | 12,672,038 |
| - rated BB+ | 43,324 | - | - | 43,324 |
| - rated BB- | 110,158 | - | - | 110,158 |
| - rated B+ | 1,782 | - | - | 1,782 |
| - rated B | 70,479 | - | - | 70,479 |
| - rated B- | 80 | - | - | 80 |
| - not rated | - | - | 2,011,222 | 2,011,222 |
| Total Nostro accounts with banks before impairment allowance | 113,046,423 | - | 2,011,222 | 115,057,645 |
| Loss allowance | (205,726) | - | (2,011,222) | (2,216,948) |
| Reverse repurchase agreements | | | | |
| Rated from BBB- to BBB+ | 35,739,556 | - | - | 35,739,556 |
| Total cash and cash equivalents | 148,580,253 | - | - | 148,580,253 |

| '000 KZT | 31 December 2020 | | | |
|---|---|---|-----------------------------------|-------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | 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 |

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 30 June 2021 the Company considers the nostro account held with KIB for the total amount of KZT 2,011,222 thousand fully impaired as based on its understanding of the KIB's current financial position it does not expect potential future cash proceeds from these assets (31 December 2020: KZT 2,028,884 thousand).

As at 30 June 2020 the Company has one bank (31 December 2020: none), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2020 is KZT 99,215,790 thousand.

During the six months ended 30 June 2021, the Company entered into the reverse repurchase agreements with counterparties at Kazakhstan Stock Exchange. These transactions are collateralised with the Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan, bonds issued by Eurasian Development Bank and Kazakhstan Sustainability Fund JSC, and the NBRK Notes. As at 30 June 2021 the fair value of financial assets collateralising reverse repurchase agreements is KZT 35,742,717 thousand, unaudited (31 December 2020: KZT 28,973,393 thousand).

10 Placements with banks and other financial institutions

| '000 KZT | 30 June 2021 (unaudited) | | | |
|---|---|---|-----------------------------------|-------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Total |
| Current accounts with other banks | | | | |
| - rated BBB+ | 20,785,785 | - | - | 20,785,785 |
| - rated BBB- | 27,108,248 | - | - | 27,108,248 |
| - rated BB+ | 16,868,012 | - | - | 16,868,012 |
| - rated BB- | - | - | 130,908 | 130,908 |
| | 64,762,045 | - | 130,908 | 64,892,953 |
| Impairment allowance | (121,044) | - | (130,908) | (251,952) |
| Impairment allowance as at the end of the period | 64,641,001 | - | - | 64,641,001 |

| '000 KZT | 31 December 2020 | | | |
|---|---|---|-----------------------------------|-------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Total |
| Current accounts with other banks | | | | |
| - rated BBB+ | 23,191,137 | - | - | 23,191,137 |
| - rated BBB- | 16,020,245 | - | - | 16,020,245 |
| - rated BB+ | 30,689,567 | - | - | 30,689,567 |
| - rated BB- | - | - | 143,473 | 143,473 |
| | 69,900,949 | - | 143,473 | 70,044,422 |
| Impairment allowance | (172,016) | - | (143,473) | (315,489) |
| Impairment allowance as at the end of the period | 69,728,933 | - | - | 69,728,933 |

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 30 June 2021 the Company placed term deposits with annual interest rates of 8.35% and 8.50% (2020: 8.50% and 9.00%) maturing in September 2021 (2020: March and December 2021).

The amount of unamortised discount recognised with respect to placements with banks and other financial institutions placed at the below-market interest rates as at 30 June 2021 was KZT 7,045,657 thousand (at 31 December 2020: KZT 7,862,359 thousand). The discount amortisation amount included in interest income is KZT 816,702 thousand (the six months ended 30 June 2020: none).

As at 30 June 2021 the Company does not have a bank (31 December 2020: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2021 is KZT 20,785,785 thousand (31 December 2020: KZT 23,191,137 thousand).

11 Investment securities

| '000 KZT | 30 June 2021, unaudited '000 KZT | 31 December 2020 '000 KZT |
|---|--|---------------------------------|
| Investment securities measured at fair value through profit or loss | | |
| Corporate bonds rated from B- to B+ | 2,012,581 | 1,978,486 |
| Corporate bonds not rated | 1,061,757 | 953,553 |
| | 3,074,338 | 2,932,039 |

| '000 KZT | 30 June 2021 (unaudited) | | | |
|---|--|---|-----------------------------------|--------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Total |
| Investment securities measured at amortised cost | | | | |
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | 1,523,264 | - | - | 1,523,264 |
| Notes of the National Bank of the RK | 59,743,125 | - | - | 59,743,125 |
| Corporate bonds | | | | |
| - rated from B+ to B- | 10,979,766 | - | - | 10,979,766 |
| Bonds of local executive bodies (LEB) | 779,455,556 | - | - | 779,455,556 |
| Corporate bonds not rated | - | - | 2,102,726 | 2,102,726 |
| | 851,701,711 | - | 2,102,726 | 853,804,437 |
| Loss allowance | (1,495,537) | - | (2,102,726) | (3,598,263) |
| Carrying amount | 850,206,174 | - | - | 850,206,174 |

| | 31 December 2020 | | | Total |
|---|---------------------------------------|------------------------------------|--------------------------------|--------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit-impaired | Lifetime ECL - credit-impaired | |
| '000 KZT | | | | |
| 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 | - | 68,519,028 |
| Corporate bonds issued by second-tier banks rated 'B' | 10,983,015 | - | - | 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 |

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

During the six months ended 30 June 2021, the bonds of Fincraft Group LLP were sold on the organised market.

During the reporting period, the Company acquired 62,904,866 bonds of the local executive bodies at a price of KZT 1,000 per bond, which mature in the years of 2022, 2023, and 2032. The bond coupon rate is 4.25% p.a. and 6.10% p.a. The bonds were recognised at the fair value of KZT 53,325,149 thousand; a discount on initial recognition was KZT 9,579,717 thousand calculated using market interest rates ranging from 9.34% to 11.41% p.a.

During the reporting period ended 30 June 2021, the local executive bodies redeemed bonds for the amount of KZT 96,582,741 thousand.

Loss in the form of a discount of KZT 9,579,717 thousand on the difference between the nominal and fair values was compensated through the decrease in liability on government grant obtained for purchase of these bonds in the amount of KZT 9,754,054 thousand (Note 16).

12 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.

All loans are secured by the underlying housing real estate.

| | 30 June 2021 '000 KZT (unaudited) | 31 December 2020 '000 KZT |
|---|---|---------------------------------|
| Loan from Yelorda Kurylys Company LLP | 37,571,772 | 36,053,386 |
| Long-term receivables from sale of real estate to legal entities under instalment agreements | 31,624,960 | 31,601,023 |
| Total loans and long-term receivables from sale of real estate to legal entities under instalment agreements | 69,196,732 | 67,654,409 |
| Mortgage loans to individuals | 64,117,926 | 67,815,513 |
| Long-term receivables from sale of real estate to individuals under instalment agreements | 12,558,282 | 13,429,666 |
| Total mortgage loans and long-term receivables from sale of real estate to individuals under instalment agreements | 76,676,208 | 81,245,179 |
| | 145,872,940 | 148,899,588 |
| Loss allowance | (11,366,021) | (13,606,918) |
| Loans to customers and long-term receivables from sale of real estate under instalment agreements, net of impairment allowance | 134,506,919 | 135,292,670 |

(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 30 June 2021 and 31 December 2020:

| ‘000 KZT | 30 June 2021 (unaudited) | | | | |
|---------------------------------|---|---|-----------------------------------|---|-------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Acquired assets credit-impaired on initial recognition | Total |
| - not overdue | 62,012,304 | 682,031 | 2,843,354 | 449,574 | 65,987,263 |
| - overdue up to 30 days | 3,864,999 | 414,955 | 248,270 | 41,425 | 4,569,649 |
| - overdue 30-89 days | - | 859,010 | 1,568,135 | 38,556 | 2,465,701 |
| - overdue 90-179 days | - | - | 794,498 | 10,845 | 805,343 |
| - overdue 180-360 days | - | - | 382,210 | 11,962 | 394,172 |
| - overdue more than 360 days | - | - | 2,444,314 | 9,766 | 2,454,080 |
| | 65,877,303 | 1,955,996 | 8,280,781 | 562,128 | 76,676,208 |
| Loss allowance | (1,369,928) | (202,715) | (3,729,943) | (562,128) | (5,864,714) |
| Carrying amount | 64,507,375 | 1,753,281 | 4,550,838 | - | 70,811,494 |
| | 31 December 2020 | | | | |
| ‘000 KZT | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | 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 |

As at 30 June 2021, the carrying amount of loans with the seller’s full- and partial-recourse option were KZT 9,270,384 thousand and KZT 0, respectively (31 December 2020: KZT 10,842,108 thousand and KZT 436,972 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.

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 loan impairment allowance by classes of loans to individuals and by three ECL stages for the six months ended 30 June 2021 and 30 June 2020 are as follows:

| ‘000 KZT | Six months ended 30 June 2021 (unaudited) | | | | Total |
|---|--|---|-----------------------------------|---|------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Acquired assets credit-impaired on initial recognition | |
| Loss allowance as at the beginning of the period | 3,938,914 | 473,743 | 3,970,716 | 188,896 | 8,572,269 |
| Transfer to Stage 1 | 49,024 | (44,207) | (4,817) | - | - |
| Transfer to Stage 2 | (57,729) | 129,187 | (71,458) | - | - |
| Transfer to Stage 3 | (59,631) | (74,552) | 134,183 | - | - |
| Net remeasurement of loss allowance | (2,876,853) | (284,204) | (188,620) | (49,716) | (3,399,393) |
| New financial assets originated or purchased | 386,121 | - | - | 422,823 | 808,944 |
| Transfers of new originated loans to other stages | (10,143) | 3,253 | 6,890 | - | - |
| Write-off and other changes | - | - | (204,585) | - | (204,585) |
| Unwinding of discount | 225 | (505) | 87,634 | 125 | 87,479 |
| Loss allowance as at the end of the period | 1,369,928 | 202,715 | 3,729,943 | 562,128 | 5,864,714 |

| ‘000 KZT | Six months ended 30 June 2020 (unaudited) | | | | Total |
|---|--|---|-----------------------------------|---|------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL - credit-impaired | Acquired assets credit-impaired on initial recognition | |
| Loss 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 of loss allowance | 781,190 | 527,662 | 647,402 | - | 1,956,254 |
| New financial assets originated or purchased | 266,401 | - | - | 18,940 | 285,341 |
| Transfers of new originated loans to other stages | (38,190) | 21,044 | 17,146 | - | - |
| Write-off | - | - | (35,302) | - | (35,302) |
| Foreign exchange and other movements | (10) | - | - | - | (10) |
| Unwinding of discount and other changes | 412 | (198) | 43,867 | 86 | 44,167 |
| Loss allowance as at the end of the period | 1,535,620 | 736,758 | 4,125,694 | 170,722 | 6,568,794 |

The significant changes in the gross carrying amount of the receivables of the mortgage loans and long-term receivables from sale of real estate to individuals under instalment agreements are presented below:

| '000 KZT | Six months ended 30 June 2021 (unaudited) | | | | |
|---|--|------------------|------------------|----------------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| Loans to customers | | | | | |
| Balance at 1 January | 67,192,070 | 4,108,124 | 9,756,089 | 188,896 | 81,245,179 |
| Transferred to Stage 1 | 2,600,076 | (2,254,581) | (345,495) | - | - |
| Transferred to Stage 2 | (701,039) | 1,503,057 | (802,018) | - | - |
| Transferred to Stage 3 | (642,464) | (951,202) | 1,593,666 | - | - |
| New financial assets originated or purchased | 14,705,027 | - | - | 422,823 | 15,127,850 |
| Transfers of new loans originated or purchased between stages | (207,503) | 179,853 | 27,650 | - | - |
| Repayments (early or partial repayment) | (17,069,089) | (628,750) | (1,832,160) | (49,716) | (19,579,715) |
| Write-off and other changes | - | - | (204,585) | - | (204,585) |
| Unwinding of discount | 225 | (505) | 87,634 | 125 | 87,479 |
| Balance at 30 June | 65,877,303 | 1,955,996 | 8,280,781 | 562,128 | 76,676,208 |

| '000 KZT | 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 |
| Transferred to Stage 1 | 597,688 | (551,642) | (46,046) | - | - |
| Transferred to Stage 2 | (8,716,574) | 8,779,979 | (63,405) | - | - |
| Transferred 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 of new loans originated or purchased between stages | (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) |
| Other changes | 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 |

Repossessed collateral

The Company obtains certain assets by taking possession of collateral for loans to retail customers. As at 30 June 2021, the carrying amount of such assets was KZT 0 (2020: KZT 222,755 thousand).

The Company's policy is to sell these assets within a very short time.

(b) Credit quality of loans to customers and long-term receivables from sale of real estate to legal entities under instalment agreements

| | 30 June 2021 (unaudited) | | | Total |
|---|--|--|---|-------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL - not credit- impaired | Lifetime ECL, - credit- impaired | |
| Loans issued | | | | |
| Yelorda Kurylys Companiyasy LLP - internally rated CCC | 37,571,772 | - | - | 37,571,772 |
| Receivables under instalment agreements | | | | |
| Mega Plaza LLP - internally rated CCC | - | 27,377,942 | - | 27,377,942 |
| 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 | 1,313,586 | - | - | 1,313,586 |
| Astana IT University LLP - internally rated CCC | 2,403,182 | - | - | 2,403,182 |
| The non-profit organisation "Umit Fund" - internally rated D | - | - | 530,250 | 530,250 |
| Total receivables, before impairment allowance | 41,288,540 | 27,377,942 | 530,250 | 69,196,732 |
| Loss allowance | (737,473) | (4,531,956) | (231,878) | (5,501,307) |
| Total loans issued, before impairment allowance | 40,551,067 | 22,845,986 | 298,372 | 63,695,425 |
| | 31 December 2020 | | | |
| | 12-month expected credit losses (ECL) | Lifetime ECL -not credit- impaired | Lifetime ECL - credit- impaired | 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 "Umit Fund" - internally rated D | - | - | 501,380 | 501,380 |
| Total receivables, before impairment allowance | 39,908,011 | 27,245,018 | 501,380 | 67,654,409 |
| Loss allowance | (2,553,827) | (2,261,569) | (219,253) | (5,034,649) |
| Total loans issued, before impairment allowance | 37,354,184 | 24,983,449 | 282,127 | 62,619,760 |

During the six months ended 30 June 2021, Mega Plaza LLP repaid principal and interest of KZT 722,465 thousand on a loan issued from the National Fund of the Republic of Kazakhstan.

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.

As at 30 June 2021 and 31 December 2020, the loans issued and long-term receivables from legal entities were not overdue, except for long-term receivables from NCO "Umit Fund" of KZT 530,250 thousand overdue 302 days (31 December 2020: KZT 501,380 thousand were overdue 118 days)

The movement in balances of loss allowance for loans issued and receivables from sale of property to legal entities under instalment agreements are as follows:

| '000 KZT | Six months ended 30 June 2021 (unaudited) | | | Total |
|---|--|--|---|------------------|
| | 12-month expected credit losses (ECL) | Lifetime ECL on assets not credit-impaired | Lifetime ECL on credit- impaired assets | |
| <i>Loans and long-term receivables from sale of real estate to legal entities under instalment agreements</i> | | | | |
| Balance at beginning of the year | 2,553,827 | 2,261,569 | 219,253 | 5,034,649 |
| Net remeasurement of loss allowance | (1,816,354) | 2,270,387 | 12,625 | 466,658 |
| Balance at the end of year | 737,473 | 4,531,956 | 231,878 | 5,501,307 |

(c) Key assumptions and judgments used to estimate loss allowance for loans and long-term receivables from sale of real estate to legal entities under instalment agreements

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 National Bank of the Republic of Kazakhstan, the 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 variable and credit risk and credit losses.

This key driver is GDP forecasts, unemployment rates and other macroeconomic indicators. Economic scenarios used as at 30 June 2021 included the following values of key indicators for the Republic of Kazakhstan for 2021-2024.

| | 2021 | 2022 | 2023 |
|-----------------|--------------------------|--------------------------|------------------------|
| | Basic scenario - 3.1% | Basic scenario - 4.4% | Basic Scenario - 5% |
| GDP rate growth | | | |

Given the lack of sufficient historical default data, the Company determined that the data provided by rating agencies would serve as a source of information for economic scenarios. Scenarios are updated on a regular basis and used in assessment of credit risks.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysis of historical data of rating agencies for the last 30-40 years.

13 Finance lease receivables

The components of net investments in finance lease as at 30 June 2021 and 31 December 2020 are as follows:

| | Unaudited 30 June 2021 ‘000 KZT | 31 December 2020 ‘000 KZT |
|--|---------------------------------------|---------------------------------|
| Less than 1 year | 13,655,936 | 13,358,281 |
| From 1 to 2 years | 13,277,993 | 13,340,144 |
| From 2 to 3 years | 13,274,925 | 13,327,935 |
| From 3 to 4 years | 13,268,827 | 13,326,316 |
| From 4 to 5 years | 13,262,558 | 13,317,062 |
| More than 5 years | 141,604,654 | 146,913,557 |
| Minimum lease payments | 208,344,893 | 213,583,295 |
| Less unearned finance income | | |
| Less than 1 year | (4,700,079) | (4,750,055) |
| From 1 year to 5 years | (17,500,757) | (18,103,166) |
| More than 5 years | (21,368,034) | (23,237,423) |
| Less unearned finance income, total | (43,568,870) | (46,090,644) |
| Less: Loss allowance | (3,907,535) | (3,222,087) |
| Net investment in finance lease | 160,868,488 | 164,270,564 |

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 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%.

Credit quality of finance lease receivables

The following table provides information on the credit quality of finance lease receivables as at 30 June 2021 and 31 December 2020:

| ‘000 KZT | 30 June 2021 (unaudited) | | | Total |
|--------------------------------|---------------------------------------|---|--|--------------------|
| | 12-month expected credit losses | Lifetime ECL for assets not credit-impaired | Lifetime ECL for credit- impaired assets | |
| Not overdue | 131,761,903 | 6,112,947 | 2,260,418 | 140,135,268 |
| Overdue less than 30 days | 7,574,057 | 2,584,335 | 929,788 | 11,088,180 |
| Overdue 30-89 days | - | 4,064,163 | 2,281,754 | 6,345,917 |
| Overdue 90-179 days | - | - | 3,797,136 | 3,797,136 |
| Overdue more than 180-360 days | - | - | 2,024,797 | 2,024,797 |
| Overdue more than 360 days | - | - | 1,384,725 | 1,384,725 |
| | 139,335,960 | 12,761,445 | 12,678,618 | 164,776,023 |
| Loss allowance | (1,196,060) | (1,040,372) | (1,671,103) | (3,907,535) |
| Carrying amount | 138,139,900 | 11,721,073 | 11,007,515 | 160,868,488 |
| ‘000 KZT | 31 December 2020 | | | Total |
| | 12-month expected credit losses | Lifetime ECL on assets not credit-impaired | Lifetime ECL on credit- impaired assets | |
| - not overdue | 134,125,996 | 7,975,763 | 4,307,012 | 146,408,771 |
| - overdue up to 30 days | 8,323,029 | 467,529 | 570,717 | 9,361,275 |
| - overdue 30-89 days | - | 3,688,146 | 1,695,985 | 5,384,131 |
| - overdue 90-179 days | - | - | 2,520,849 | 2,520,849 |
| - overdue 180-360 days | - | - | 2,479,275 | 2,479,275 |
| - overdue more than 360 days | - | - | 1,338,350 | 1,338,350 |
| | 142,449,025 | 12,131,438 | 12,912,188 | 167,492,651 |
| Loss allowance | (913,399) | (1,109,071) | (1,199,617) | (3,222,087) |
| Carrying amount | 141,535,626 | 11,022,367 | 11,712,571 | 164,270,564 |

Movements in the loan impairment allowance by classes of finance lease receivables and three ECL stages for the six months ended 30 June 2021 and 30 June 2020 are as follows:

| | Six months ended 30 June 2021 | | | '000 KZT |
|--|--|---|--|------------------|
| | (unaudited) | | | |
| | 12-month expected credit losses | Lifetime ECL on assets not credit-impaired | Lifetime ECL on credit- impaired assets | |
| Loss allowance as at the beginning of the period | 913,399 | 1,109,071 | 1,199,617 | 3,222,087 |
| Transfer to Stage 1 | 63,915 | (58,620) | (5,295) | - |
| Transfer to Stage 2 | (47,458) | 253,308 | (205,850) | - |
| Transfer to Stage 3 | (12,289) | (200,290) | 212,579 | - |
| Net charge | 239,333 | (69,322) | 466,953 | 636,964 |
| New financial assets originated or purchased | 31,904 | 5,981 | - | 37,885 |
| Other changes | 7,256 | 244 | 3,099 | 10,599 |
| Loss allowance as at the end of the period, unaudited | 1,196,060 | 1,040,372 | 1,671,103 | 3,907,535 |

| | Six months ended 30 June 2020 | | | '000 KZT |
|--|--|---|--|------------------|
| | (unaudited) | | | |
| | 12-month expected credit losses | Lifetime ECL on assets not credit-impaired | Lifetime ECL on credit- impaired assets | |
| Loss 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 charge | 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 |
| Loss allowance as at the end of the period, unaudited | 835,109 | 561,568 | 775,762 | 2,172,439 |

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

| '000 KZT | Six months ended 30 June 2021 | | | Total |
|--|--------------------------------------|-------------------|-------------------|--------------------|
| | (unaudited) | | | |
| | Stage 1 | Stage 2 | Stage 3 | |
| Finance lease receivables | | | | |
| Balance at 1 January | 142,449,024 | 12,131,438 | 12,912,190 | 167,492,652 |
| Transfer to Stage 1 | 6,871,275 | (6,501,774) | (369,501) | - |
| Transfer to Stage 2 | (6,978,985) | 9,611,268 | (2,632,283) | - |
| Transfer to Stage 3 | (1,507,884) | (2,275,535) | 3,783,419 | - |
| New financial assets originated or purchased | 5,201,816 | 77,139 | - | 5,278,955 |
| Repayment (partial or early repayment) | (6,699,414) | (281,335) | (1,018,306) | (7,999,055) |
| Derecognised financial assets | - | - | - | - |
| Other changes | 128 | 244 | 3,099 | 3,471 |
| Balance at 30 June | 139,335,960 | 12,761,445 | 12,678,618 | 164,776,023 |

| ‘000 KZT | 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 |
| Transfer to Stage 1 | 1,786,093 | (1,334,532) | (451,561) | - |
| Transfer to Stage 2 | (4,831,833) | 5,071,256 | (239,423) | - |
| Transfer 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 |
| Repayment (partial or early repayment) | (2,957,400) | (103,454) | (72,543) | (3,133,397) |
| Other changes | - | - | 264,486 | 264,486 |
| Balance at 30 June | 134,422,524 | 5,993,623 | 5,004,597 | 145,420,744 |

14 Debt securities issued

Debt securities issued as at 30 June 2021 and 31 December 2020 comprised KZT-denominated bonds.

| Issue | Maturity date | Nominal coupon rate | Effective rate | Unaudited | 31 December |
|--------------|---------------|---------------------|----------------|--------------------|--------------------|
| | | | | 30 June 2021 | 2020 |
| | | | | ‘000 KZT | ‘000 KZT |
| KZ2C00006641 | 09.04.2024 | 4.05% | 13.99% | 169,431,154 | 162,297,012 |
| KZ2C00006807 | 25.06.2030 | 6.02% | 12.94% | 141,010,881 | 132,772,391 |
| KZ2C00006815 | 14.08.2031 | 6.02% | 12.45% | 138,616,932 | 130,781,398 |
| KZ2C00007094 | 29.12.2032 | 6.02% | 11.41% | 69,298,557 | 65,683,297 |
| KZ2C00006823 | 22.10.2032 | 6.02% | 12.17% | 67,277,290 | 63,552,860 |
| KZ2C00006831 | 22.10.2032 | 6.02% | 12.17% | 67,277,289 | 63,552,859 |
| KZ2C00003333 | 15.12.2027 | 10.50% | 10.30% | 30,418,249 | 30,433,345 |
| KZ2C00006393 | 24.02.2026 | 10.25% | 11.00% | 30,226,639 | - |
| KZX000000054 | 28.12.2033 | 9.58% | 9.58% | 20,973,967 | 20,973,967 |
| KZ2C00004356 | 21.06.2049 | 2.99% | 12.09% | 171,794 | 170,880 |
| KZ2C00007086 | 01.04.2051 | 0.10% | 11.07% | 68,795 | - |
| KZ2C00004349 | 06.08.2050 | 0.10% | 12.41% | 19,891 | 19,004 |
| KZ2C00005973 | 28.06.2029 | 9.75% | 10.35% | - | 41,982,500 |
| KZ2C00006179 | 29.08.2029 | 10.00% | 10.12% | - | 25,847,222 |
| | | | | 734,791,438 | 738,066,735 |

During the reporting period, 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 30 billion bonds KZ2C00006393 traded at Kazakhstan Stock Exchange (KASE), at the price of KZT 1 per bond, with maturity of 5 years. The bond coupon rate is 10.25% per annum. Interest is paid twice a year.

The Company also issued 1,303,774,200 bonds KZ2C00007086 traded at Kazakhstan Stock Exchange (KASE) at the price of KZT 1 per bond, with maturity of 30 years. The bonds were recognised on the Company's balance sheet at fair value of KZT 67,496 thousand calculated using the market rate of 11.07% per annum, where the difference between the nominal value and fair value was recognised as a government grant, which is planned to be used during the 2021 year. The bond coupon rate is 0.10% per annum. Interest is paid 4 times a year.

During the reporting period the Company early repaid the principal amount of issued bonds KZ2C00005973 and KZ2C00006179 in the amounts of KZT 40,000,000 thousand and KZT 25,000,000 thousand, respectively.

15 Other borrowed funds

| | Unaudited | 31 December |
|---|--------------------|--------------------|
| | 30 June 2021 | 2020 |
| | ‘000 KZT | ‘000 KZT |
| Loan from Baiterek National Management Holding JSC | 210,156,029 | 203,134,956 |
| Due to the Government of the Republic of Kazakhstan | 5,521,147 | 5,308,951 |
| Due to Akimat of the city of Nur-Sultan | 213,396 | 203,779 |
| | 215,890,572 | 208,647,686 |

As at 30 June 2021 and 31 December 2020, 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. On initial recognition the loans were recognised at fair value calculated by discounting the contractual future cash flows and applying the relevant estimated market interest rates ranging from 6.9% to 8.0%. The discount on these loans was recognised as a government grant (Note 16).

16 Government grants

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|---|---|---|
| Balance at the beginning of the period | 197,563,476 | 98,052,131 |
| Utilisation of a government grant for bonds of local executive bodies (Note 14) | (9,754,054) | - |
| Amortisation for the period | (3,983,035) | (2,071,965) |
| Balance at the end of the period | 183,826,387 | 95,980,166 |

Government grant liabilities on financing Nurly Zher Programme and Employment Roadmap for 2020-2021 will be utilised as far as discount on purchase of local executive bodies’ bonds at a low interest rate is recognised, and a part of government grants will be amortised in other income as interest under hire-purchase contracts, on a straight-line basis over the period of 20 years as far as finished flats are recorded on the Company’s balance sheet.

17 Deferred income on financial guarantees provisions

| | Unaudited 30 June 2021 ‘000 KZT | 31 December 2020 ‘000 KZT |
|---|---------------------------------------|---------------------------------|
| Deferred income from financial guarantee contracts under the construction projects | 1,355,998 | 1,035,317 |
| Deferred income on financial guarantees | 1,138 | 33,425 |
| Total deferred income on financial guarantees | 1,357,136 | 1,068,742 |
| Provision for losses incurred but not reported under contracts for guarantees for construction projects | 13,206,768 | 12,386,342 |
| Provision for claims on financial guarantees | 1,114 | 1,483 |
| Total provision for guarantees issued | 13,207,882 | 12,387,825 |
| | 14,565,018 | 13,456,567 |

Deferred income on financial guarantees

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|---|---|---|
| Balance at the beginning of the period | 1,068,742 | - |
| Financial guarantee commission earned | (438) | - |
| Financial guarantee commission written off | (31,838) | - |
| Earned commission from financial guarantee contracts related to construction projects (insurance premium) | (824,852) | - |
| Commission from financial guarantee contracts related to construction projects received | 1,290,098 | - |
| Financial guarantee commission | 40 | - |
| Commission from financial guarantee contracts related to construction projects repaid | (6,339) | - |
| VAT payable on income | (138,277) | - |
| Balance at the end of the period | 1,357,136 | - |

Deferred income on guarantees issued includes a proportion of financial guarantee fees and a proportion of the commissions for contracts for the provision of a completion 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 the project completion of construction, using a proportional method.

Analysis of movements in provisions for claims on financial guarantees under construction projects

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|---|---|---|
| Balance at the beginning of the period | 12,386,342 | - |
| Movements in provisions under contracts for granting guarantees for construction projects | 820,426 | - |
| Balance at the end of the period | 13,206,768 | - |

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.

As of the reporting date, the Company created a reserve for the estimated amount necessary to fully settle the losses that were incurred as a result of the occurrence of insurance cases before that date, regardless of whether they were declared 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 the reserve of incurred, but not reported losses usually involves a greater degree of uncertainty than an estimate of the provision for claims.

To determine the probability of occurrence of an insured event, the Company uses the assigned rating of an authorized 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, 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/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.

The 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 132,068 thousand (31 December 2020: KZT 123,863 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 premiums would be higher/lower by KZT 688,310 thousand (31 December 2020: KZT 557,611 thousand) lower/higher.

18 Equity

(a) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or profit for the reporting period 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 2021, the Company declared dividends of KZT 6,051,678 thousand (KZT 343.24 per ordinary share), unaudited (during the six months ended 30 June 2020 the Company declared dividends of KZT 2,577,532 thousand or KZT (KZT 423.84 per ordinary share), unaudited.

(b) Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

| | Unaudited Six months ended 30 June 2021 | Unaudited Six months ended 30 June 2020 |
|--|---|---|
| Profit for the year, in thousands of KZT | 18,518,068 | 1,836,885 |
| Weighted average number of ordinary shares | 17,631,022 | 6,081,380 |
| Basic and diluted earnings per share, in KZT | 1,050 | 302 |

19 Risk management

Management of risk is fundamental to the mortgage lending 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 2021 there were no significant changes in respect of market risk and liquidity risk since 31 December 2020, except as stated below.

To adequately reflect the uncertainty related to drop in market prices for assets and COVID-19 pandemic outbreak, the Company updated the forward-looking information used in ECL models including forecast macro-economic indicators for the first six months of 2021, considering the following:

- Updated forecasts for oil prices and GDP;
- The impact of changes on various sectors of economy.

To estimate loss allowance for expected credit losses at 30 June 2020, the Group re-estimated both the 12-month PDs and the remaining lifetime PDs by updating risk factors including adjustment of macroeconomic indicators; Improvement of forecasts for the 12-month risk factors resulted in decrease in the 12-month PDs. "GDP growth" projection risk factor was revised to positive as compared to GDP growth projection for the Republic of Kazakhstan 2020, which was negative last year.

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

| | Unaudited 30 June 2021 '000 KZT | 2020 '000 KZT |
|--|---------------------------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | 148,580,253 | 63,619,060 |
| Placements with banks and other financial institutions | 64,641,001 | 69,728,933 |
| Investment securities: | | |
| - at fair value through profit or loss | 3,074,338 | 2,932,039 |
| - at amortised cost | 850,206,174 | 917,887,952 |
| Loans to customers and long-term receivables from sales of real estate under instalment agreements | 134,506,919 | 135,292,670 |
| Finance lease receivables | 160,868,488 | 164,270,564 |
| Other financial assets | 34,309 | 24,588 |
| Total maximum exposure to credit risk | 1,361,911,482 | 1,353,755,806 |

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 of 30 June 2021 the Company had 43 valid guarantee contracts (31 December 2020: 27 valid guarantee contracts). As at 30 June 2021 the maximum amount of liabilities under the valid guarantees issued by the Company was: KZT 245,728,820 thousand (31 December 2020: 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.

20 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 Company property or related to the Company's 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 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.

21 Related party transactions

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

Total remuneration included in employee benefits is as follows:

| | Unaudited Six months ended 30 June 2021 ‘000 KZT | Unaudited Six months ended 30 June 2020 ‘000 KZT |
|-----------------------------------|---|---|
| Members of the Board of Directors | 8,635 | 8,564 |
| Members of the Management Board | 139,310 | 60,347 |
| | 147,945 | 68,911 |

The above amounts include cash benefits in respect of the members of the Management Board. The outstanding balances as at 30 June 2021 and 31 December 2020 for transactions with the members of the Management Board and the Board of Directors are as follows:

| | Unaudited 30 June 2021 ‘000 KZT | Unaudited Average interest rate | 31 December 2020 ‘000 KZT | Average interest rate |
|--|---------------------------------------|---------------------------------------|---------------------------------|--------------------------|
| Condensed Interim Statement of Financial Position | | | | |
| Loans to customers | 36,250 | 3.1 | 51,869 | 3.1 |
| Other liabilities | 75,543 | - | 78,719 | - |

(b) Transactions with other related parties

Other related parties include NMH Baiterek JSC and other state organisations.

The amounts below are included in the condensed interim statements of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 30 June 2020:

| | Unaudited | Unaudited | Unaudited | Unaudited |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Six months ended 30 June 2021 | Six months ended 30 June 2021 | Six months ended 30 June 2020 | Six months ended 30 June 2020 |
| | Baiterek Group | Other government institutions | Baiterek Group | Other government institutions |
| Condensed interim statement of profit or loss | | | | |
| Interest income | 5,071,065 | 50,442,897 | 2,191,880 | 1,250,407 |
| Interest expense | (46,622,680) | (838,037) | (2,071,263) | (1,029,800) |
| Other operating income, net | - | 174,336 | - | - |
| Fee and commission expense | - | (1,139) | - | (554) |
| Other income | 419,889 | (129,991) | - | 18,362 |
| General administrative expenses | - | (334,829) | (4,670) | (210,252) |
| (Impairment losses)/reversal of impairment | 9,192 | 205,930 | (266) | 3,450 |
| Income tax expense | - | (1,936,211) | - | (480,626) |

The balances with other related parties as at 30 June 2021 include:

| | Unaudited Baiterek Group | | Unaudited Other government institutions | |
|--|-----------------------------|--------------------------------|---|--------------------------------|
| | '000 KZT | Average interest rate, % | '000 KZT | Average interest rate, % |
| Cash and cash equivalents | 12,574,687 | 7.50 | 134,777,849 | 8.55 |
| Placements with banks and other financial institutions | 16,449,242 | 1.00 | - | - |
| Investment securities measured at amortised cost | - | - | 839,235,200 | 4.81 |
| Current tax asset | - | - | 3,170,649 | - |
| Other assets | 81,493 | - | 92,777 | - |
| Debt securities issued | 673,886,070 | 5.64 | 12,022,203 | 10.32 |
| Other borrowed funds | 210,156,029 | 0.17 | 5,734,543 | 0.10 |
| Government grants | 183,551,343 | - | 275,044 | - |
| Deferred tax liability | - | - | 13,034,986 | - |
| Other liabilities | - | - | 691,332 | - |

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 |
| Placements with banks and other financial institutions | 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 | - |

22. 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 2021:

| | Measured at amortised cost | FVTPL | Total carrying amount | Fair value |
|--|-------------------------------|------------------|--------------------------|----------------------|
| Unaudited | | | | |
| '000 KZT | | | | |
| Cash and cash equivalents | 148,580,253 | - | 148,580,253 | 148,580,253 |
| Placements with banks and other financial institutions | 64,641,001 | - | 64,641,001 | 64,641,001 |
| Investment securities: | | | | |
| - at fair value through profit or loss | - | 3,074,338 | 3,074,338 | 3,074,338 |
| - at amortised cost | 850,206,174 | - | 850,206,174 | 889,577,748 |
| Loans to customers and long-term receivables from sales of real estate under instalment agreements | 134,506,919 | - | 134,506,919 | 119,251,853 |
| Finance lease receivables | 160,868,488 | - | 160,868,488 | 96,787,387 |
| Other financial assets | 34,309 | - | 34,309 | 34,309 |
| | 1,358,837,144 | 3,074,338 | 1,361,911,482 | 1,321,946,889 |
| Debt securities issued | 734,791,438 | - | 734,791,438 | 762,496,365 |
| Other borrowed funds | 215,890,572 | - | 215,890,572 | 153,179,628 |
| Other financial liabilities | 5,938,625 | - | 5,938,625 | 5,938,625 |
| | 956,620,635 | - | 956,620,635 | 921,614,618 |

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

| | Measured at amortised cost | FVTPL | Total carrying amount | Fair value |
|--|-------------------------------|------------------|--------------------------|----------------------|
| '000 KZT | | | | |
| 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 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, 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 following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 7.2%-14.7% are used for discounting future cash flows from loans to customers (2020: 6.5%-14.9%);
- discount rates of 10.61% are used for discounting future cash flows from finance lease receivables (2020: 9.9%);
- discount rates of 10.06%-10.79% are used for discounting future cash flows from other borrowed funds (2020: 10.85%).

(b) Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). 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.
- 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 in the condensed interim statement of financial position as at 30 June 2021 and statement of financial position as at 31 December 2020, 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 measured 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 measured at fair value through profit or loss: | 2,066,079 | 865,960 | 2,932,039 |
| | 2,066,079 | 865,960 | 2,932,039 |

Changes in fair value measurements of financial instruments at fair value through profit or loss categorised to Level 3 in the fair value hierarchy are as follows:

| Financial assets | 30 June 2021 | 30 June 2020 |
|---|---------------------|---------------------|
| Balance at the beginning of the period | 979,940 | 933,590 |
| Net (loss)/gain on investment securities at fair value through profit or loss | (108,980) | 41,350 |
| Balance at the end of the period | 865,960 | 974,940 |

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 2021:

| Unaudited '000 KZT | Level 2 | Level 3 | Total fair values | Total carrying amount |
|--|----------------|----------------|------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | 148,580,253 | - | 148,580,253 | 148,580,253 |
| Placements with banks and other financial institutions | 64,641,001 | - | 64,641,001 | 64,641,001 |
| Investment securities measured at amortised cost | 889,577,748 | - | 889,577,748 | 850,206,174 |
| Loans to customers and long-term receivables from sales of real estate under instalment agreements | 117,039,370 | 2,212,483 | 119,251,853 | 134,506,919 |
| Finance lease receivables | 90,618,135 | 6,169,252 | 96,787,387 | 160,868,488 |
| Liabilities | | | | |
| Debt securities issued | 762,496,365 | - | 762,496,365 | 734,791,438 |
| Other borrowed funds | 153,179,628 | - | 153,179,628 | 215,890,572 |

The following table analyses the fair value of financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2020:

| '000 KZT | Level 2 | Level 3 | Total fair values | Total carrying amount |
|--|----------------|----------------|------------------------------|----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | 63,619,060 | - | 63,619,060 | 63,619,060 |
| Placements with banks and other financial institutions | 69,728,933 | - | 69,728,933 | 69,728,933 |
| Investment securities measured at amortised cost | 952,491,174 | - | 952,491,174 | 917,887,952 |
| Loans to customers and long-term receivables from sales of real estate under instalment agreements | 111,338,645 | 2,949,104 | 114,287,749 | 135,292,670 |
| Finance lease receivables | 93,556,875 | 8,954,298 | 102,511,173 | 164,270,564 |
| Other financial assets | 24,588 | - | 24,588 | 24,588 |
| Liabilities | | | | |
| Debt securities issued | 783,930,277 | - | 783,930,277 | 738,066,735 |
| Other borrowed funds | 143,258,180 | - | 143,258,180 | 208,647,686 |
| Other financial liabilities | 4,031,521 | - | 4,031,521 | 4,031,521 |

23 Capital management

| | Unaudited 30 June 2021 | 31 December 2020 '000 KZT |
|--|---------------------------|------------------------------|
| Tier 1 capital | | |
| Share capital | 190,847,155 | 190,847,155 |
| General reserves | 2,734,447 | 2,734,446 |
| Additional paid-in capital | 3,389,392 | 3,389,392 |
| Intangible assets | (100,876) | (134,229) |
| Net loss for the year in accordance with the NBRK requirements | - | (5,100,541) |
| Statutory accumulated losses for prior years | (13,923,457) | (2,771,238) |
| Total tier 1 capital | 182,946,661 | 188,964,985 |
| Tier 2 capital | | |
| Total reserves (provisions) included in calculation of equity in the amount not exceeding 1.25% of credit-risk weighted assets | 6,718,409 | 7,846,184 |
| Net profit for the year in accordance with the NBRK requirements | 15,904,087 | - |
| Total tier 2 capital | 22,622,496 | 7,846,184 |
| Total capital | 205,569,157 | 196,811,169 |
| Total statutory assets | 1,382,503,038 | 1,374,938,209 |
| Credit risk weighted assets and contingent liabilities | 537,472,712 | 627,694,733 |
| Credit risk-weighted contingent liabilities | 219,138,264 | 198,975,311 |
| Operational risk | 13,460,303 | 7,537,759 |
| Total credit risk weighted assets and contingent liabilities plus operational risk | 770,071,279 | 834,207,803 |
| Total reserves (provisions) not included in calculation of equity | 7,047,791 | 3,306,035 |
| k1 | 13% | 14% |
| k1-2 | 24% | 23% |
| k1-3 | 27% | 24% |

The table above shows the capital structure of the Company calculated in accordance with the NBRK statutory requirements.

As at 30 June 2021 and 31 December 2020 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

24 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.