



“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC

**International Financial Reporting Standards
Financial Statements and
Independent Auditor’s Report**

31 December 2020

Content

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholder and Board of Directors of "Otbasy Bank" House Construction Savings Bank JSC

Our opinion

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

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Our audit approach

Overview

Materiality

Overall materiality: Tenge 6,598,800 thousand, which represents 0.5% of loans and advances to customers balance as of 31 December 2020.

Key audit matters

- Assessment of expected credit losses allowance for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).
- Government grant recognition and accounting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	Tenge 6,598,800 thousand
How we determined it	0.5% of loans and advances to customers balance as of 31 December 2020.
Rationale for the materiality benchmark applied	The Bank is a state-owned development institution. Its strategic goal is to finance housing needs of citizens of Kazakhstan and to promote social and economic growth of Kazakhstan through mortgage lending. The profitability is not a primary objective of the Bank and its management. We chose loans and advances to customers balance as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is measured by users. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit losses (ECL) provision for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9)</p> <p>We focused on this area due to the size of loans and advances to customers balance and because IFRS 9 is a complex financial reporting standard, which requires significant judgment to determine the ECL provision. In addition, COVID-19 global pandemic impacted estimation uncertainty related to ECL provision for loans and advances to customers.</p> <p>Since the Bank is a mortgage lending financial institution ECL assessment on the major part of loans is performed on a portfolio basis.</p>	<p>We assessed the design and tested operating effectiveness of key controls across the processes relevant to the ECL. This included the allocation of loans into stages, automated calculation of key risk parameters (probability of default, loss given default, exposure at default), data completeness and accuracy of calculations.</p> <p>In assessing ECL provision we have performed the following audit procedures including consideration of the economic disruption caused by COVID-19:</p>

Key audit matter	How our audit addressed the key audit matter
<p>Key areas of judgment included:</p> <ul style="list-style-type: none"> • Allocation of loans to stages in accordance with IFRS 9; • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default <p>Refer to the Notes 3, 4, 9 and 23 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and risk assessment related to ECL provision and disclosures on loans and advances to customers.</p>	<ul style="list-style-type: none"> • We assessed the methodologies and models for ECL provision assessment developed by the Bank in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, allocation of the loans to stages, and estimation of key risk parameters; • We checked that estimation of ECL provision for loans and advances to customers was made in accordance with the methodologies and models of the Bank. We tested the assumptions and inputs used in the ECL models; • On a sample basis we tested segmentation of loans; • On a sample basis we recalculated ECL provision level; • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements etc.; • On overall basis we checked the Bank’s assessment of effect of forward looking information on the ECL level, in particular, we assessed whether forecasted macroeconomic variables were appropriate (such as inflation level, average salary, unemployment rate and GDP), traced input data to the external sources and checked appropriateness of the model used.
<p>Government grant recognition and accounting</p> <p>In 2019 and 2020 the Bank was obtaining financing from the Government of the Republic of Kazakhstan and the Baiterek National Managing Holding Joint Stock Company (“Parent company”) via borrowings received and debt securities issued at the rates lower than market for the realisation of government programs “Bakytty Otbasy” and “Shanyrak”, i.e issue of loans to customers at the rates lower than market. Initially, in 2019, borrowings received for the implementation of the “Bakytty Otbasy” were not adjusted by the Bank at initial recognition and were</p>	<ul style="list-style-type: none"> • We checked that the Bank’s revision of its accounting policy is in compliance with IFRS and that the Bank has consistently applied principles of government accounting for 2019 comparatives. • We critically assessed the Bank’s judgement over initial recognition of the difference between consideration received and the fair value of the borrowings received and debt securities issued as a government grant and related loans issued.

Key audit matter

considered to approximate fair value, making a judgement that the arrangement is a separate market segment. Further, in 2020, Bank revised its prior judgements and accounting policy in relation to these instruments, i.e government grant accounting was applied. So that borrowings received and debt securities issued were recognised at fair values measured by applying estimates of relevant market interest rates to discount the contractual future cash flows and the difference between the fair value and the nominal value was recognised as a government grant, which is subsequently recognised as income over the period necessary to match them with the related costs, for which they intended to compensate, on a systematic basis (i.e. losses due to loans issued at rates below the market). Government grant recognition and accounting was assessed as the key audit matter due to complex accounting and estimates involved in assessment at initial recognition and further measurement, and also due to significance of impact to financial position of the Bank.

Key areas of judgment included:

- Assessment of whether the difference between consideration received and the fair value of the borrowings received and debt securities issued represent a government grant;
- The estimate of the fair value of the borrowings received and debt securities;
- Appropriateness of method used to amortise government grants

Refer to the Notes 3, 4 and 16 of the accompanying financial statements that provide information on significant accounting policies, critical accounting estimates and judgements and disclosures related to government grant recognition and accounting.

How our audit addressed the key audit matter

- We assessed the reasonableness of management's estimates and models used over market rates applied to calculate fair values of borrowings received and debt securities issued and at below-market rates.
- We assessed the appropriateness of methods used to amortise government grants.
- We also checked whether the Bank has accurately disclosed change in the accounting policy, critical accounting judgements and estimates and other disclosures related to government grant accounting in its financial statements.



Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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


“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC
Statement of Financial Position

<i>(in thousands of Kazakhstani Tenge)</i>	Note	31 December 2020	31 December 2019 (restated)
ASSETS			
Cash and cash equivalents	7	138,257,892	151,024,879
Cash balances with financial institutions		17,000	-
Investments in debt securities	8	232,210,452	196,087,584
Investments in equity securities		1,747	5,214
Loans and advances to customers	9	1,319,681,125	980,394,166
Premises, Equipment and Right of Use Assets	10	5,462,232	5,256,199
Intangible assets	10	5,684,660	3,874,218
Current income tax prepayment		196,015	171,542
Other financial assets	11	5,417,469	2,979,171
Other assets	11	268,023	338,503
Non-current assets held for sale		191,476	199,399
TOTAL ASSETS		1,707,388,091	1,340,330,875
LIABILITIES			
Customer accounts	12	1,097,659,295	902,023,405
Borrowed funds	13	67,614,055	59,157,994
Debt securities in issue	15	113,680,020	78,650,059
Government grants	16	121,753,860	33,893,322
Deferred tax liabilities	22	18,324,890	15,871,146
Other financial liabilities	14	3,563,068	4,175,467
Other liabilities	14	2,009,583	2,152,659
TOTAL LIABILITIES		1,424,604,771	1,095,924,052
EQUITY			
Share capital	17	78,300,000	78,300,000
Additional paid in capital		95,406,389	80,980,344
Revaluation reserve for investment securities at fair value through other comprehensive income		(2,204,346)	(3,077,553)
Other reserves		2,283,335	2,283,335
Retained earnings		108,997,942	85,920,697
TOTAL EQUITY		282,783,320	244,406,823
TOTAL LIABILITIES AND EQUITY		1,707,388,091	1,340,330,875

* Hereinafter in the financial statements of Otbasy Bank JSC and in the notes to it, 31 December of any year is understood as 24.00 of Almaty time on 31 December of that year.

01 March 2021


Beysembaev Miras Berikovich
 Acting Chairman of the Board


Kiltbayeva Zhanerke Almasbekovna
 Chief Accountant

The accompanying notes on pages 5 to 84 are an integral part of these financial statements.

“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC
Statement of Profit or Loss and Other Comprehensive Income

<i>(in thousands of Kazakhstani Tenge)</i>	Note	2020	2019 (restated)
Interest income calculated using the effective interest method	18	111,433,654	84,718,404
Interest and similar expense	18	(35,884,615)	(28,138,388)
Net margin on interest and similar income		75,549,039	56,580,016
Credit loss allowance	7,8,9	(5,529,664)	(346,691)
Net margin on interest and similar income after credit loss allowance		70,019,375	56,233,325
Income from government grants		16,660,494	12,820,385
Fee and commission income	19	1,538,353	1,274,895
Fee and commission expense	19	(6,637,232)	(5,062,970)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		(5,754,051)	-
Losses on initial recognition of assets at rates below market		(22,895,729)	(18,386,156)
Recovery of impairment of debt securities at fair value through other comprehensive income and other financial assets		205,853	8,021
(Losses)/gains less gains/(losses) from trading in foreign currencies		55,860	(90)
Other net operating expenses	16,20	(1,489,861)	(1,181,202)
Administrative expenses	21	(18,688,055)	(17,114,060)
Profit before tax		33,015,007	28,592,148
Income tax expense	22	(1,230,924)	(1,245,133)
PROFIT FOR THE YEAR		31,784,083	27,347,015
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Losses less gains/(losses) on investments in debt securities at fair value through other comprehensive income		667,521	(969,721)
- Losses less gains on investments in debt securities at fair value through other comprehensive income carried into profit and loss statement		(205,853)	(108,553)
<i>Items that will not be reclassified to profit or loss:</i>			
Losses less gains/(losses) on investments in equity securities at fair value through other comprehensive income		(2,703)	(14)
Other comprehensive income/(loss) for the year		458,965	(1,078,288)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		32,243,048	26,268,727
Earnings per share for profit attributable to the shareholder of the Bank, basic and diluted (expressed in Kazakhstani Tenge per share)	30	4,059	3,493

The accompanying notes on pages 5 to 84 are an integral part of these financial statements.

“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC
Statement of Changes in Equity

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Share capital	Additional paid-in capital	Revaluation reserve for AFS securities	Revaluation reserve for securities at FVOCI	Other reserves	Retained earnings	Total equity
Balance at 1 January 2019		78,300,000	54,568,526	-	(1,999,265)	2,283,335	66,509,202	199,661,798
Profit for the year		-	-	-	-	-	27,641,999	27,641,999
Other comprehensive income		-	-	-	(1,078,288)	-	-	(1,078,288)
Total comprehensive income for 2019		-	-	-	(1,078,288)	-	27,641,999	26,563,711
The difference between the amounts received from Ministry of Finance of RK and Administration of Almaty and their fair value upon initial recognition, net of deferred tax	4, 13	-	26,411,818	-	-	-	-	26,411,818
Payment of dividends to shareholders		-	-	-	-	-	(7,936,551)	(7,936,551)
Return of unused compensation		-	-	-	-	-	1,031	1,031
Balance at 31 December 2019		78,300,000	80,980,344	-	(3,077,553)	2,283,335	86,215,681	244,701,807
Voluntary changes in accounting policies	3	-	-	-	-	-	(294,984)	(294,984)
Restated balance at 1 January 2020		78,300,000	80,980,344	-	(3,077,553)	2,283,335	85,920,697	244,406,823
Profit for the year		-	-	-	-	-	31,784,083	31,784,083
Other comprehensive expense		-	-	-	458,965	-	-	458,965
Total comprehensive income for the year		-	-	-	458,965	-	31,784,083	32,243,048
The difference between the amounts received from Ministry of Finance of RK and Administration of Almaty and their fair value upon initial recognition, net of deferred tax	4, 13	-	14,426,045	-	-	-	-	14,426,045
Payment of dividends to shareholders	17	-	-	-	-	-	(8,292,596)	(8,292,596)
Transfer of revaluation reserve on investments in equity securities at FVOCI to retained earnings upon disposal		-	-	-	414,242	-	(414,242)	-
Balance at 31 December 2020		78,300,000	95,406,389	-	(2,204,346)	2,283,335	108,997,942	282,783,320

The accompanying notes on pages 5 to 84 are an integral part of these financial statements.

“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC
Statement of Cash Flows

<i>(in thousands of Kazakhstani Tenge)</i>	Note	2020	2019
Cash flows from operating activities			
Interest income calculated using the effective interest method received		99,621,528	82,768,875
Interest paid calculated using the effective interest method		(30,236,874)	(24,836,432)
Fees and commissions received		1,538,353	1,274,895
Fees and commissions paid		(6,556,796)	(4,925,783)
Staff costs paid		(10,367,764)	(9,001,745)
Administrative and other operating expenses paid		(7,298,947)	(7,554,958)
Income tax paid		(2,407,483)	(2,255,422)
Cash flows from operating activities before changes in operating assets and liabilities		44,292,017	35,469,430
<i>Net decrease in:</i>			
- due from other banks		(17,000)	-
- loans and advances to customers		(364,139,347)	(334,820,225)
- other financial assets		(2,439,462)	(1,207,660)
- other assets		69,782	(125,914)
<i>Net increase in:</i>			
- customer accounts		195,887,856	237,088,445
- other financial liabilities		(451,392)	77,522
- other liabilities		(107,698)	56,703
Net cash used in operating activities		(126,905,244)	(63,461,699)
Cash flows from investing activities			
Acquisition of premises and equipment		(1,676,391)	(1,273,166)
Acquisition of intangible assets		(2,804,700)	(2,028,087)
Proceeds from disposal of premises and equipment		5,672	67,127
Acquisition of debt securities at fair value through other comprehensive income		(26,664,286)	(37,356,065)
Acquisition of investments in debt securities carried at amortised cost		(125,623,904)	(139,842,191)
Proceeds from disposal of debt securities at fair value through other comprehensive income		30,296,131	50,138,101
Proceeds from redemption of debt securities carried at amortised cost		88,700,000	83,250,000
Net cash used in investing activities		(37,767,478)	(47,044,281)
Cash flows from financing activities			
Loan received from the Government of the Republic of Kazakhstan		59,000,000	92,000,000
Loan received from local executive bodies of the Republic of Kazakhstan		10,500,000	2,500,000
Repayment of loan received from local executive bodies of the Republic of Kazakhstan		(421,000)	-
Repayment of loan received from NWF “Samruk-Kazyna”		-	(18,277,000)
Loans received from other organizations		108,000	-
Proceeds from issue of debt securities	15	91,316,432	20,000,000
Dividends paid	17	(8,292,596)	(7,936,551)
Long-term lease	14	(361,357)	(131,178)
Net cash from financing activities		151,849,479	88,155,271
Effect of exchange rate changes on cash and cash equivalents		56,256	1,306
Net decrease in cash and cash equivalents		(12,766,987)	(22,349,403)
Cash and cash equivalents at the beginning of the year	7	151,024,879	173,374,282
Cash and cash equivalents at the end of the year		138,257,892	151,024,879

The accompanying notes on pages 5 to 84 are an integral part of these financial statements.

1 Introduction

These financial statements of the “Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC (the “Bank”) are prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2020.

The Bank was established in accordance with Resolution of the Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 and Resolution of the Government of Republic of Kazakhstan No.516 dated 25 May 2013, shares of the Bank held by the Government were transferred for payment of outstanding shares of “National managing holding “Baiterek” JSC.

National Managing Holding “Baiterek” JSC is the sole shareholder (the “Parent” or the “Shareholder”) of the Bank.

The ultimate controlling party of the Bank is the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 29.

On 20 December 2020, the House Construction Savings Bank of Kazakhstan Joint Stock Company has been reregistered to “Otbasy Bank” House Construction Savings Bank Joint Stock Company.

Principal activity.

In accordance with License No.11.2.94/45 dated 25 December 2020 issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market, the Bank has the right to perform activities on: acceptance of deposits for housing construction savings, opening and management of depositors’ accounts; provision of housing, interim and preliminary housing loans to depositors to improve housing conditions; acceptance of deposits, opening and management of bank accounts of depositors of savings for capital renovation of the common facilities of the condominium and providing them with housing loans; cash operations (acceptance and provision of cash including cash change, exchange, recounts, sorting, packing and storage); transfer operations (implementation of payment and transfer orders received from individuals and legal entities); exchange transactions with foreign currency; acceptance of deposits, opening and management of bank accounts of legal entities; issue of own securities (except for shares); performing trust operations (management of the rights of claims for bank loans on behalf and by order of a principal). In addition, the Bank performs dealer activities in the securities market without the right to manage customer accounts.

The mission of the Bank is to provide Kazakhstani families with their own housing and to strengthen the feeling of their homeland.

The Bank is the only Bank in the country that implements a system of housing construction savings (the “HCS”). The HCS system is aimed at improving the living conditions of the population through attracting money from investors in housing construction deposits and providing them with housing loans.

In accordance with the Decree of the Government of the Republic of Kazakhstan “On approval of “Nurly Zher” Housing Construction Program” dated 31 December 2016 No. 922, the Bank is a participant in the implementation of this program related to the development of housing construction, ensuring housing affordability strata of the population through a system of housing construction savings.

The growth of the Bank’s key indicators, including those for 2020, such as the number of executed housing construction savings contracts and volume of issued loans, indicates the expansion of the Bank’s presence in the financial services market and enhancement of competitiveness in the market. So, since the beginning of lending activity, i.e. from years 2005 to 2020 the Bank issued 274,934 loans for the amount of 2,280.59 billion tenge; since the beginning of operation, 2,806.89 thousand contracts for the contractual amount of 9,540.72 billion tenge have been concluded. The growth of these indicators eventually led to a steady growth of the loan and deposit portfolios.

Due to the increase of loan portfolio that is caused by growth of deposit portfolio and funds raised, the profitability of the financial assets has increased during year 2020.

1 Introduction (Continued)

For further development and sustainable business growth, the Bank is constantly working on access to its products, improving the quality of customer service, expanding alternative channels for accepting payments and developing IT infrastructure.

The Bank is a member of the European Federation of Building Societies (EFBS). Today, the association includes about 50 members throughout Europe. The full membership of the Bank in EFBS represents a unique opportunity for further development of the Kazakhstan’s housing construction savings system and promoting the integration process in the world community of building societies.

The Bank is also a member of the International Union for Housing Finance, an organization that allows its members to keep abreast of the latest developments in housing finance around the world. The Bank has signed Memoranda of Cooperation with Bausparkasse Schwäbisch Hall (Germany), State Mortgage Company OJSC (Kyrgyz Republic) and the International Finance Corporation.

The Bank supports the exchange of experience within the framework of the Memoranda: holding meetings, seminars, forums, round tables, conferences on the development of mortgage lending and the system of housing construction savings, developing the long-term and mutually beneficial cooperation.

In 2020, the Bank implemented the following projects to improve servicing quality and ensure own housing for wider population:

1. Savings and lending terms for the “ARNAU” children's deposit were approved in November 2019, the product has been introduced since 1 June 2020. These terms are aimed at ensuring the possibility of improving housing conditions in the future and obtaining a loan at 2% per annum.

2. In February 2020, lending terms of “Zhas Otbasy” program for young families were approved, and they were introduced since 1 July 2020. The terms and conditions are aimed at supporting young families to further provide the opportunity to improve their housing conditions (they are able to get a loan at 6% per annum, with the further receipt of a housing loan at 5% per annum).

3. Amendments have been made to the loan terms under the “Almaty Zhastary” program related to

- the increase in the loan amount up to 13 million tenge
- the change in the amount of the down payment up to 10% of the loan amount
- the extension of loan objectives to acquire housing

These terms and conditions were approved in February 2020 and came into effect as at 15 June 2020.

4. The lending terms under the “Rental Housing with Subsequent Purchase” project. The terms and conditions are drawn up to provide accommodation enabling people to save money during the rental period.

5. Lending terms and conditions for the participants of the “Shanyrak” pilot project under the “Nurly Zher” National Program for Housing and Utilities Sector Development for 2020-2025. Participants of the “Shanyrak” pilot project can be citizens registered as persons in need of housing in accordance with the Law of the Republic of Kazakhstan “On Housing Relations” (those who are on a waiting list with the local executive bodies).

6. Terms and conditions for providing interim loans for the purpose of "making a down payment to obtain a loan from the Bank to purchase a primary housing on the market”.

The Company provides the Bank's customer with financial resources on a free-of-charge basis in the amount of 7% of the cost of housing, which is 50% of the contractual amount of Deposit 1 for obtaining Loan 1. The customer shall receive a Loan 1 and Loan 2 subject to the availability of his/her own funds of not less than 36% of the cost of housing on Deposit 2 and the notional amount of Loan 1, making up a total of 50% of the contractual amount of Deposit 2.

7. Lending terms and conditions for housing renovation for existing borrowers of the Bank. These conditions apply to the existing borrowers of the Bank who have received loans to purchase housing (regardless of the type of collateral (real estate, property right, guarantee of an individual)).

8. The concept of cooperation between the Bank and the Property Developers under the Off-take Contract as part of the Bank's “Own Housing” Program was approved.

1 Introduction (Continued)

Since 2021, the Bank will become a full-functioning institution that will keep records, register and allocate housing centrally. For this to happen, it is envisaged to transfer the current system of prioritised waiting list from local executive bodies to the Bank and establish a Housing Center, which will function on the one-stop-shop principle for all citizens in need of housing. They will no longer apply to several authorities to confirm their status in need of housing, queue up, and then apply to the bank for a loan. The bank's developed infrastructure, information and technology resources will accelerate the process of providing housing to citizens, primarily from socially vulnerable segments of the population, extend the capability of housing queues management, streamline the procedure for receiving housing for citizens in need of housing. At the same time, the Bank will continue its core activities within the system of housing construction savings.

Registered address and place of business. The Bank's registered legal address is: 91, Abylay-Khan avenue, A05A2X0, Almaty, Republic of Kazakhstan.

As at 31 December 2020, the Bank has 18 regional branches, 20 service centers and 3 service points throughout Kazakhstan (in 2019: 17 regional branches, 18 service centers, 4 service points). Developing a regional network, the Bank seeks to achieve a convenient location of offices to maximize customer reach, as well as to ensure equal access to the Bank's services for all customers in all regions of the country.

Today, the Bank has a developed network of consultants (agent network) and video banking service through which customers can receive consulting services on the Bank's products and services, open deposits online without visiting the Bank and receive a range of services using remote banking.

The Bank's audited financial statements for the year ended 31 December 2019 is posted on the official website of the Bank, in the section “About the Bank – Reporting”.

The Bank is a member of the obligatory collective deposit insurance system in accordance with the Certificate №25 issued by “Kazakhstan Deposit Insurance Fund” JSC. Insurance covers Bank's liabilities to individual depositors for the amount up to Tenge 10,000 thousand for each individual in case of business failure and revocation of the license.

According to the Resolution of the Management Board of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations No.162 dated 25 June 2007, the Bank was granted the status of a financial agency.

In agreement with the status of a financial agency, the borrowed funds from the republican budget were attracted by the Bank without provision of collateral security in accordance with the Resolution of the Government of the Republic of Kazakhstan No.1844 dated 16 November 2009.

As of 31 December 2020:

Moody's rating agency affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa3 (Positive);
- Short-term rating on deposits in the national currency: Prime-3 (Positive);
- Baseline Credit Assessment (BCA): ba2 (Positive).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB-/Stable;
- Short-term IDR in national currency: F3/ Stable.

1 Introduction (Continued)

As of 31 December 2019:

Moody’s rating agency affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa3 (Positive);
- Short-term rating on deposits in the national currency: Prime-3 (Positive);
- Baseline Credit Assessment (BCA): ba2 (Positive).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB-/Stable;
- Short-term IDR in national currency: F3/Stable.

Presentation currency. These financial statements are presented in Kazakhstani Tenge (tenge), unless stated otherwise.

Functional currency. The functional and presentation currency of the Bank is the national currency of the Republic of Kazakhstan, Kazakhstani tenge.

2 Operating Environment of the Bank

The Bank operates primarily in Kazakhstan. In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to oil and gas, and other commodities, which constitute major part of the country’s export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets. Ongoing political tension in the region, volatility of exchange rate has caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including decrease in liquidity and creation of difficulties in attracting of international financing.

In December 2019, news from China about the outbreak of a new virus first appeared. On 11 March 2020, the World Health Organization announced an outbreak of a new type of coronavirus, COVID19, as a pandemic. According to the decree of the President of the Republic of Kazakhstan dated 15 March 2020 No. 285 “On the introduction of a state of emergency in the Republic of Kazakhstan,” a state of emergency was introduced in the country for the period from 16 March 2020 until 11 May 2020.

While the COVID-19 pandemic has weakened domestic economic activity, the Kazakhstani authorities promptly took measures to support the economy. Business sector has been granted a tax deferral and deferred payment of other obligations. Support programs have been extended through subsidized loans. Low-income and affected by quarantine measures citizens have been provided with a direct financial support. The authorities have increased access for small and medium-sized enterprises to credit resources for working capital financing in order to minimize losses and ensure continued fulfilment of obligations to pay salaries and payments to suppliers. Less than a month after declaring a state of emergency throughout the country, the Government adopted a direct Cash Assistance Program, under which about 4.6 million citizens (24% of the population) received payments remotely.

It is expected that the economy of Kazakhstan will grow by 2.5% in 2021 with the improved global economic outlook, increased demand for exports, renewed domestic economic activity and increased disposable income. Successful COVID-19 vaccination campaigns could foster market confidence and restore economic activity in 2021 and enable higher growth rates in 2022.

Although global oil prices have begun to recover, ample oil supplies in global markets and OPEC+ commitments to reduce oil production could limit Kazakhstan’s oil export revenues. In addition, the domestic banking sector is also exposed to certain risks related to the growing number of non-performing loans, which may intensify if support measures will no longer be available, while the Bank has the best NPL indicator - 0.17% compared to other Kazakhstani banks.

2 Operating Environment of the Bank (Continued)

Management of the Bank has taken all necessary measures to ensure sustainability of the Bank’s operations and support its customers and employees.

The Bank did not participate in or receive Government grants/assistance due to COVID-19. Thus, there is every reason to assume that the Bank will be able to overcome the second wave of the crisis without substantial losses, which were expected in spring of 2021. However, the total amount of real losses of the banking sector will become clear approximately in the middle of 2021.

For the purpose of measurement of expected credit losses (“ECL”) the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

In March 2020, the International Accounting Standards Board (the IASB) emphasised in its educational materials that an appropriate judgment has to be applied when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions.

In September 2020 Standard & Poor’s, international rating agency affirmed the long-term foreign and local currency sovereign credit ratings of Kazakhstan - “BBB-” with a stable outlook and short-term foreign and local currency sovereign credit ratings – “A-3”, and the Kazakhstan national scale – “kzAAA”. The rating of Kazakhstan is underpinned by the country’s stable fiscal position, including through the funds accumulated in the National Fund and the low level of external debt, measures implemented by the Government of the Republic of Kazakhstan aimed at curbing the adverse impacts of the pandemic on the economy, as well as a high level of stability and predictability of state institutions. The outlook remains stable as Standard & Poor’s expects fiscal and foreign economic performance of Kazakhstan to remain strong over the next two years.

In 2020-2022, the non-oil sector will continue to be the dominant factor in the recovery and growth of national production. Standard & Poor’s, along with other leading international financial institutions, projects a sharp recovery of the national economy in the short term, in 2021-2023 the average growth rates will be about 4%.

The adverse impact on the level of Kazakhstan’s ratings is still a matter of the potentially low foreseeability of future political decisions due to the high centralization of political processes, as well as a moderate level of welfare (measured by GDP per capita). The remained challenges that weaken confidence in monetary policy, such as the limited independence of the central bank and the weakness of the country’s banking system, also constrain ratings of Kazakhstan.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and financial instruments categorized at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is 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. The best evidence of fair value is a quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Bank. This is the case even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date the average of actual trading prices on the reporting date. The market quotation used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

3 Summary of Significant Accounting Policies (Continued)

A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date in a current market conditions.

This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity’s net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Bank’s documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity’s key management personnel; and (c) the market risks, including duration of the Bank’s exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation models such as discounted cash flow models or models based on recent arm’s length transactions between independent parties or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between levels of the fair value hierarchy have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, obligatory payments by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying amounts of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all payments and fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation model whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3 Summary of Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets’ performance is assessed and how managers are compensated.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying amount are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Bank identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 23 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank’s definition of credit impaired assets and definition of default is explained in Note 23.

3 Summary of Significant Accounting Policies (Continued)

Financial assets – modification. When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the NBRK and all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank’s counterparties held with the Bank, such as loan interest income or principal collected by charging the customer’s current account or interest payments or disbursement of loans credited to the customer’s current account, which represents cash or cash equivalent from the customer’s perspective.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

3 Summary of Significant Accounting Policies (Continued)

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying amount are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer’s perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer’s net assets, are considered as investments in equity securities by the Bank. Investments in equity securities are measured at FVTPL, except where the Bank elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Bank’s policy is to designate equity investments as FVOCI. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Bank’s right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 23 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

In accordance with Law of Republic of Kazakhstan No. 110 “On housing construction savings in the Republic of Kazakhstan” dated 7 December 2000, the Bank provides the following types of loans in the national currency: a housing, interim housing, and preliminary housing loans.

Housing loans granted to customers, given that there is an accumulation of minimum required amount within 3-15 years, under the housing savings contract. The minimum period is 3 years of accumulation, the minimum savings amount is 50% of the amount needed to improve housing conditions. The interest rate on the loan varies from 2% to 5% per annum. Term of use of housing loans ranges from 6 to 25 years, depending on the selected tariff program of the Bank. Housing loan issued on the following conditions: i) the accumulation of a minimum required amount of savings; ii) when the minimum value of the evaluation index is reached; iii) the provision of the collateral; iv) confirmation of the borrower’s creditworthiness.

The interim housing loan is granted to depositors with 50% accumulation or prepayment of savings of the required amount. The interest rate on the loan is from 2% to 12% per annum. The use of housing loan is up to 25 years, depending on selected tariff program of the Bank.

Preliminary housing loan is granted to certain client categories under the state and regional programs (“Nurly Zher”, “Almaty Zhastary”, “Bakytty Otbasy” in Almaty city), as well as the Bank’s own program “The house”, “Corporate” program, “Housing of military personnel and employees of the state security service” program.

Interest rate on preliminary housing loans ranges from 2% to 12% per annum for the accumulation/prepayment of savings from 10% to 50% of the contractual amount, depending on the category of borrower. During the period of use of preliminary housing loans, further accumulation of savings are carried out simultaneously with the repayment of interest on preliminary housing loan (non-payment of principal). At the end of accumulation period, accumulated savings and housing loan, which is directed to the prior repayment of the preliminary housing loan, are paid. The use of preliminary housing loan is from 6 months to 10 years, depending on the selected tariff program.

3 Summary of Significant Accounting Policies (Continued)

According to the market program, preliminary housing loans issued prior to May 2015 with an interest rate of 9.5% per annum for the accumulation/prepayment of savings from 25% to 50% of the contractual amount. Preliminary housing loan term ranged from 3 to 8.5 years, depending on the selected tariff.

Loans granted to customers under government programs at rates below market are carried at fair value at initial recognition. Accordingly, at initial recognition of loans received and loans granted by government programs, the Bank uses judgment in estimating the fair value of loans issued under government programs.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements (“repo agreements”), which effectively provide a lender’s return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are reclassified as repurchase receivables in the statement of financial position if the transferee has the right by contract or custom to sell or repledge the securities. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell (“reverse repo agreements”), which effectively provide a lender’s return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities.

Premises and equipment. Premises and equipment are stated at initial cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired. Leasehold improvements are alterations made to rented properties by the Bank to customise it to its particular business needs and preferences. The improvements that are specialised to the Bank’s intended use of the property are treated as own assets for accounting purposes.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their liquidation values over their estimated useful lives:

	<u>Useful lives in years</u>
Premises	8 – 100
Vehicles	5 – 7
Office and computer equipment	2 – 10
Right-of-use assets	2
Other	3 – 20

The liquidation value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3 Summary of Significant Accounting Policies (Continued)

Intangible assets. The Bank’s intangible assets primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised intangible assets are amortised on a straight-line basis over expected useful lives:

	<u>Useful lives in years</u>
Licenses	3-20
Computer software	1-14

Intangible assets with indefinite useful lives are not amortized but tested for annually for impairment.

Accounting for leases by the Bank as a lessee. The Bank leases office premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight-line basis.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The Bank did not revise terms (concessions) of lease contracts related to COVID-19.

As at 31 December 2020, the Bank recognized right-of-use in the amount of Tenge 266,230 thousand, as well as the corresponding lease liability in the amount of Tenge 294,164 thousand in ‘other financial liabilities’ in the Statement of Financial Position.

3 Summary of Significant Accounting Policies (Continued)

Non-current assets classified as held for sale. Non-current assets are classified in the Statement of Financial Position as ‘non-current assets held for sale’ if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank’s management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at AC. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals and legal entities, initially recognised at fair value less costs directly associated with a transaction and are carried at AC.

Borrowed funds. Borrowed funds include loans received from the Government of the Republic of Kazakhstan, Fund of National Welfare “Samruk-Kazyna” JSC, Parent Company, local executive bodies and other organisations.

Borrowed funds are initially recorded at fair value less costs directly associated with a transaction and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities upon initial recognition are stated at fair value less costs directly attributable to the transaction and are carried at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Government grants. The benefit from receiving a government loan at a below-market interest rate is carried as a government grant. The benefit from the below-market interest rate is measured as the difference between the initial carrying amount of the loan and the proceeds.

Government grants are recognized in profit or loss over the periods necessary to match them with the related costs they are intended to compensate, on a regular basis.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge and credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Bank is a lessee.

3 Summary of Significant Accounting Policies (Continued)

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Trade and other payables. Trade and other payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost. Due to the short-term nature of trade and other payables, the effect from discounting of future cash flows for the calculation of amortised cost is insignificant.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Additional paid in capital. Additional paid-in capital represents the value of assets or services transferred or provided to the Bank by Shareholders without public offering or transferred against future share issues. At initial recognition, loans received from Parent company at a rate below market, are recognised at fair value in equity as additional paid-in capital. Additional paid-in capital is not revised further.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the Subsequent Events note.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

3 Summary of Significant Accounting Policies (Continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (a) in the normal course of business, (b) the event of default and (c) the event of insolvency or bankruptcy.

Earnings per share. Earnings per share are calculated by dividing profit or loss attributable to owners of the Bank's share on the weighted average number of participating shares outstanding during the year.

Staff costs and related contributions. Wages, salaries, mandatory contributions to the social health insurance fund and social insurance fund, social tax, accrued expenses for annual and sick leaves, voluntary medical insurance, bonuses, and social assistance in cash. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented by expected maturity as provided in Note 23.

Reclassification of comparatives. Comparative figures have been restated due to the changes in the Bank's accounting policy on initial recognition and subsequent measurement of funds raised and loans issued under the “Bakytty Otbasy” program.

The objective of “Bakytty Otbasy” program is to provide large, single-parent families, families raising children with disabilities, especially those in the lower income group, with loans for the purchase of housing at a rate of 2% per annum through funds raised from the government at a rate of 0.01% per annum. The loan interest rate does not fully cover the risk premium and operating expenses incurred by the Bank for these loans.

Under IFRS 9, all financial assets and financial liabilities measured at amortised cost to be measured initially at fair value. IFRS 13 defines fair value is 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 on the principal market or, if unavailable, in the most advantageous market.

The nominal value of loans received to implement the “Bakytty Otbasy” program in 2019 was not adjusted by the Bank at initial recognition to align it with the fair value and was regarded as an approximate fair value assuming that these loans are a separate market segment. The Bank calculated fair value based on nominal loan rates, taking into account that the terms of the loans include an obligation to provide loans to customers at a low rate, which offsets the benefit from the low loan rates received.

Given the unique nature, terms and conditions, the loans issued under the “Bakytty Otbasy” program are not and will not be sold by the Bank. The best evidence of fair value is the price in a primary market, the market in which loans are issued. As of 31 December 2019, the Bank, under the “Bakytty Otbasy” program, did not make fair value adjustments upon initial recognition of loans issued, approximating the fair value to the transaction value.

In 2020, the Bank revised its judgments and accounting policies in terms of loans issued and loans received under the “Bakytty Otbasy” program in order to bring the accounting of the program in compliance with the Group accounting. The accounting changes were applied retrospectively.

According to the Group Accounting Policy of National Managing Holding “Baiterek” JSC (parent company of the Bank), adjustments to the fair value of funds raised from the government to address social issues are accounted for in line with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”. Under this accounting, any difference between the nominal and fair value (based on market rates) of the loan is recognised as deferred income from government grants and amortised to income over the life of the loan, offsetting the loss from the program. This accounting approach is an alternative to the accounting adopted by the Bank in 2019.

3 Summary of Significant Accounting Policies (Continued)

Also, due to the change in the accounting for loans received, the Bank changed the accounting for loans issued since there is a relationship between loans received and loans issued. The Bank has calculated the fair value of loans issued under the “Bakytty Otbasy” program by reference to market rates calculated on the basis of the weighted average rate on loans issued under the Bank's other lending programs.

Actually, the same carrying amount for loans issued would result from the separation of loan commitments from the government grant and allocation of the cost of these commitments using the effective interest rate method for loans issued. Loan commitments have not been separately accounted for as they are an integral part of the government grant. Government grants are defined as government assistance in return for compliance with certain conditions related to the Bank's operations in the past or future periods.

The above-mentioned changes result in unified accounting and prevent discrepancies in accounting policies and financial statements prepared by the Bank and group reporting forms of the Parent Company of the Bank. Therefore, the Bank considered that the revised accounting policy is more relevant to the primary users of the financial statements.

These changes to the accounting policy have not affected the Bank's comparatives at the beginning of the previous period, 1 January 2019, as the Bank began receiving loans for issuing loans under the “Bakytty Otbasy” program in the middle of 2019.

As a consequence of the above changes, the Bank restated comparative figures of the financial statements. The results of restatements as at 31 December 2019 and for the year ended 31 December 2019 are as follows.

- (I) The effect of reclassifications for presentation purposes of the items of Statement of Financial Position was as follows on amounts at 31 December 2019:

<i>In thousands of Kazakhstani Tenge</i>	As originally presented	Reclassification	As reclassified at 31 December 2019
Loans and advances to customers	993,338,343	(12,944,177)	980,394,166
TOTAL ASSETS	1,353,275,052	(12,944,177)	1,340,330,875
Borrowed funds	105,626,763	(46,468,769)	59,157,994
Deferred tax liabilities	15,944,892	(73,746)	15,871,146
Government grants	-	33,893,322	33,893,322
TOTAL LIABILITIES	1,108,573,245	(12,649,193)	1,095,924,052
Retained earnings	86,215,681	(294,984)	85,920,697
TOTAL EQUITY	244,701,807	(294,984)	244,406,823
TOTAL LIABILITIES AND EQUITY	1,353,275,052	(12,944,177)	1,340,330,875

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3 Summary of Significant Accounting Policies (Continued)

(II) The effect of reclassifications for presentation purposes of the Statement of Profit and Loss and Other Comprehensive Income was as follows on amounts for 2019:

<i>In thousands of Kazakhstani Tenge</i>	As originally presented	Recalssification	As reclassified at 31 December 2019
Interest income calculated using the effective interest method	84,434,726	283,678	84,718,404
Interest and similar expense	(27,893,450)	(244,938)	(28,138,388)
Net margin on interest and similar income	56,541,276	38,740	56,580,016
Income from government grants	-	12,820,385	12,820,385
Losses on initial recognition of assets at rates below market	(5,158,301)	(13,227,855)	(18,386,156)
Profit before tax	28,960,878	(368,730)	28,592,148
Profit/loss before income tax	(1,318,879)	73,746	(1,245,133)
PROFIT FOR THE YEAR	27,641,999	(294,984)	27,347,015
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	26,563,711	(294,984)	26,268,727
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN KAZAKHSTANI TENGE PER SHARE)	3,530	-	3,493

Corresponding adjustments were made to the Statement of Changes in Equity (in the lines “Profit for the year” (referring to 2019), “Total comprehensive income for 2019”, “Balance at 31 December 2019”).

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Bank makes estimates and make assumptions that affect the reported amounts and the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated based on management's experience and other factors, including expectations of future events which management believes to be reasonable under the circumstances. In the process of applying the accounting policies, management also uses judgment and estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Measurement of expected credit losses (ECLs) is a significant estimate that involves determination of methodology, models and data inputs same as at 31 December. There were no changes in the ECL measurement methodology for the previous period. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. The Bank validates macro-economic functions on an annual basis, as macro-economic dependence may vary in due course.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

In 2020, the Bank performed the analysis of macro-economic variables twice as at 1 July 2020 and as at 1 October 2020:

- as at 1 July 2020, the Bank collected and analysed information for Q2 2020. According to the results, the effect of the unemployment rate on the probability of default of the portfolio of housing (preliminary) loans was revealed (provisions amounting to approximately 3 million tenge were additionally recognised). For the rest of the pools, there is no impact of macroeconomic factors on the probability of default, or their impact is insignificant.
- as at 1 October 2020, according to the results of the second analysis of macro-economic impact on default probability did not confirm the availability of interconnection between the level of default and macro-economic factors, therefore macro-economic factors were approved at the level of 100% (that confirms the lack of impact).

According to the decision of the Management Board No. 33 dated 2 April 2020, in response to the introduction of a state of emergency in the Republic of Kazakhstan, the Bank's borrowers were provided with the opportunity to apply for a deferred payment for up to 90 days, without the use of rules, terms and conditions of the internal document governing the procedure for granting loan restructuring in the Bank and without any commissions, that is, an emergency deferral was provided to all borrowers who submitted an application without analysing their financial position and without providing confirming documents.

The deferred payment granted to borrowers due to the outbreak of COVID-19 were not recognised as an event confirming loan impairment according to the Resolution of the Management Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 66 dated 18 June 2020, as well as in accordance with the Resolution of the Management Board of the Bank No. 33 dated 2 April 2020. Standards and conditions of the internal document regulating the procedure for loan restructuring in the Bank have not been applied to the above deferred payment (COVID-19), accordingly, this measure was not classified as a default of the borrower. Also, since the deferred payment was offered to borrowers, including those who are not in delay of payment without analysing their financial position and without providing confirming documents. They were not classified as Stage 2 borrowers.

As at 1 January 2021, the portfolio of borrowers applied for deferred payment due to the introduction of a state of emergency because of the COVID-19 pandemic constituted 15.0% of the loan portfolio at carrying amount (at the beginning of providing deferred payment for COVID-19 - 21.8%), 10.3% (Tenge 137,296,917 thousand) of which were in Stage 1, 4.3% (Tenge 56,835,960 thousand) were in Stage 2 and, accordingly, 0.4% (Tenge 5,426,940 thousand) were in Stage 3. The NPL level (non-performing loans overdue for more than 90 days) for this portfolio was 0.26% or Tenge 522,692 thousand of the total COVID-19 portfolio (Tenge 199,558,818 thousand). The quality of the portfolio is acceptable. No material deterioration in the quality of the COVID-19 portfolio is observed or projected in the future. The Bank did not subsequently offer the second deferred payment related to COVID-19. In the event that borrowers had applied for a loan restructuring for a second time, the restructuring had been provided in accordance with the rules and conditions of the internal document governing the procedure for granting loan restructuring in the Bank. Subsequently, during the second restructuring such loans were included in Stage 3 as defaulted loans.

In the light of the foregoing, the model for calculating provisions for COVID-19 was not adjusted, since the qualitative and quantitative features of an increase in credit risk are quite sensitive to the behaviour of borrowers and also, to a significant extent, response when the quality of loans deteriorates, and were sufficient at the reporting date. According to the Methodology, the adjustment of PD parameters is applied by imposing macroeconomic impact, since PD is most exposed to the effect of changes in macroeconomic conditions. Accordingly, the Bank monitors the macroeconomic performance and, in the event of adequate impact on the default rate, it is taken into account in the model for calculating provisions.

Payment holidays offered by the Bank due to the COVID-19 pandemic are recognised as modifications to contracts for providing respective loans and advances. Their effect on the gross carrying amount (modification loss) is presented in profit or loss under the “Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition” item.

When the Bank provides its customers with payment holidays, the Bank stops to count days past due during the holiday period granted, if the customers are contractually relieved from making payments. After the end of the holiday period granted, the Bank continues the count of days overdue starting from the number of days past due immediately before the grant of the payment holidays.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Following the results of the audit of the Bank’s activities, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market recommended to include “construction-in-progress/delayed completion of construction activities” in the internal definition of the deterioration of the financial condition of the borrower when determining default on loans. Considering this, in 2020 the restructured loans due to the ongoing construction of “Bagystan” residential real estate were included in Stage 3 loans, and the additional provisions amounting to Tenge 3,111,386 thousand were created.

The Bank assessed the overall impact on ECL from including the restructurings granted in the vintage analysis statistics for loans classified in Stages 1 and 2 at 31 December 2020 and specified the impact limits in Note 23.

Significant increase in credit risk (“SICR”).

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. There have been no changes in the methodology of assessment of a significant increase in credit risk for the previous period. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Should ECL on all loans and advances to customers (except for loans provided as of the initial recognition date for December 2020) be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by Tenge 4,895,579 thousand as of 31 December 2020.

Should loss given default (LGD) on impaired loans is 100%, the expected credit loss would be higher by Tenge 3,815,215 thousand.

Fair value of financial instruments at rates below market. According to tariff programs of the Bank, housing loans, preliminary and interim housing loans are advanced to the population with an interest rate of 2% to 12%, of 2% to 5% on housing loans. Housing loans are granted when 50% of savings of the contractual amount are available at the savings account of the potential borrower subject to reaching the estimated index and meeting the minimum period of savings which is not less than three years. Interim housing loans are issued provided that the savings amount had been accumulated prior to the scheduled date or a lump-sum contribution of the minimum required amount (at least 50% of the contractual amount) had been made with subsequent lending within the contractual amount. The preliminary housing loan is issued without the condition of principal repayment until the receipt of the contractual amount, the balance is repaid using the contractual amount. The savings interest rate is 2%. The Bank concluded that both loans and savings transactions are sufficiently unique and there are no similar goods in the market. Following from this, the Bank also concluded that these transactions in themselves constitute a principal or most advantageous market and, hence, transaction price is fair value and no adjustments are required for the loans and savings at their initial recognition.

From 2008 to the present “Samruk-Kazyna” National Welfare Fund” JSC, the Ministry of Finance of the Republic of Kazakhstan and National Managing Holding “Baiterek” JSC provided funds to the Bank to finance government programs on lending of housing loans within the framework of "Affordable Housing - 2020" and “Nurly Zher” housing programs.

The Bank also attracts funds from local budgets to finance regional programs for the provision of preliminary housing loans under the “Almaty Zhastary” program as part of the Almaty Youth Support Roadmap for 2020 and for the provision of preliminary housing and interim housing loans under the regional program “Bakytty Otbasy” in Almaty. In addition, the Bank raised funds from Administration of Nur-Sultan and from the commercial organisation "Nazarbayev Intellectual Schools" AEO to provide preliminary housing loans. The Bank reflected loans at initial recognition received at the market rate at the loan issue date.

These borrowings were received on contractual terms significantly different from the average market interest rate on loans with similar maturity and interest rate terms and were recognized in the financial statement at fair value.

In line with the Bank's Methodology for fair value measurement, the weighted average rate on existing preliminary housing loans and interim housing loans is determined separately.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Upon initial recognition, loans received for government programs and programs of local executive bodies are carried at fair value plus transaction costs, defined as the net present value of all cash flows from the loan using the weighted average borrowing rate for similar loans. At the same time, the difference between the nominal value of the loan and the identified fair value from related parties is recognised as “Additional paid-in capital”, from other legal entities, financial market participants as an entity providing financial services with non-market conditions, is included in the Bank's income or expenses, on loans, received for lending to clients under the “Bakytty Otbasy” and “Shanyrak” programs is recognised as a government grant.

The Bank placed bonds in accordance with the Contract for the purchase and sale of securities with NMH “Baiterek” JSC and “Karazhanbasmunai” JSC at a price below market value, which were sold at a discount. Bonds issued by the Bank are initially recognised at fair value less transaction costs. Subsequent accounting is carried out at amortised cost using the effective interest method. A detailed description of the terms and conditions of the debt securities issued, is provided in Note 15.

The table below illustrates borrowed funds under contractual terms that differ significantly from average market borrowing rates with similar terms on maturity and interest rates and were recognized in the financial statements at fair value.

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4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

(in thousands of Kazakhstani Tenge)

Creditor	Amount per contract	Note
“Samruk-Kazyna” SWF” JSC	15,163,000	Contract duration - from 03.03.2011 to 30.11.2021; Nominal rate -1%; Market rate- 4,68% (average rate for all tranches), Discount amount - 3,375,255; *Calculation method1.
Ministry of Finance of the Republic of Kazakhstan	12,200,000	Contract duration - from 11.07.2012 to 18.07.2023; Nominal rate -1%; Market rate- 4,5656%, Discount amount - 2,949,902; *Calculation method1.
	8,000,000	Contract duration - from 22.11.2017 to 27.11.2037; Nominal rate -0,15%; Market rate- 9,4762%, Discount amount - 5,266,234; *Calculation method1.
	24,000,000	Contract duration - from 16.03.2018 to 05.03.2038; Nominal rate -0,15%; Market rate- 8,9601%, Discount amount - 15,473,120; *Calculation method1.
	15,000,000	Contract duration - from 19.12.2018 to 20.12.2038; Nominal rate -0,15%; Market rate- 8,1825%, Discount amount - 9,333,966; *Calculation method1.
	28,000,000	Contract duration - from 06.03.2019 to 01.03.2039; Nominal rate -0,15%; Market rate- 8,5157%, Discount amount - 17,698,330; *Calculation method1.
	50,000,000	Contract duration - from 15.07.2019 to 12.07.2044; Nominal rate -0,01%; Market rate 9,4056%; Grant amount – 44,668,567; *Calculation method1.
	14,000,000	Contract duration - from 03.12.2019 to 03.12.2039.; Nominal rate -0,15%; Market rate - 8,1869%, Discount amount - 8,713,488; *Calculation method3.
	49,000,000	Contract duration - from 28.05.2020 to 20.03.204.; Nominal rate -0,01%; Market rate 13,38%; Amount of the government grant – 46,774,007; *Calculation method3.
	10,000,000	Contract duration - from 10.12.2020 to 10.12.2040; Nominal rate -0,15%; Market rate - 11,83%, Discount amount - 7,051,328; *Calculation method3.
Administration of Almaty	1,000,000	Contract duration - from 06.11.2017 to 15.11.2025; Nominal rate -0,01%; Market rate - 9,0230%, Discount amount - 398,409; *Calculation method2.
	1,200,000	Contract duration - from 30.07.2018 to 02.08.2026; Nominal rate -0,01%; Market rate - 8,4304% - 9,2060%, Discount amount – 467,383; *Calculation method2.
	1,000,000	Contract duration - from 27.03.2019 to 03.04.2044; Nominal rate - 0,01%; Market rate 8,7015% - 8,7888%, Amount of the government grant – 734,142; *Calculation method1.
	1,500,000	Contract duration - from 26.06.2019 to 03.04.2044; Nominal rate -0,01%; Market rate 8,741% - 8,7501%, Amount of the government grant – 1,310,998; *Calculation method1.
	10,000,000	Contract duration - from 12.06.2020 to 30.06.2045; Nominal rate -0,01%; Market rate – 12,24% - 13,38%, Discount amount – 8,877,163; *Calculation method3.
NMH “Baiterek” JSC	22,000,000	Contract duration - from 25.03.2016 to 25.03.2036; Nominal rate -0,15%; Market rate – 7,9694%, Discount amount – 13,541,732; *Calculation method2.
	90,000,000	Contract duration - from 24.07.2020 to 27.07.2040.; Nominal rate -4,05%; Market rate 13,7%; Amount of the government grant – 57,747,025; *Calculation method3.
Administration of Nur-Sultan	80,000	Contract duration - from 29.05.2020 to 29.05.2028; Nominal rate -0,01%; Market rate – 13,8100%, Discount amount – 58,789; *Calculation method3.
“Karazhanbasmunai” JSC	1,316,432	Contract duration - from 16.11.2020 to 16.11.2024; Nominal rate – 2%; Market rate – 11,54%. Discount amount – 383,153; *Calculation method3.
“NIS” AEO	108,000	Contract duration - from 20.12.2020 to 25.12.2028; Nominal rate – 0,01%; Market rate – 11,43%. Discount amount – 62,536; *Calculation method3.

¹ The rate of return on government securities with the same maturity period;

² The rate of return on government securities denominated in tenge by linearising the specified dependence using a linear function;

³ A multi-component methodology for fair value measurement including, in a particular, the Nelson-Siegel parametric model and used by NMH “Baiterek” and subsidiaries.

**The Parent company has drawn up a general methodology for the Group to determine the fair value of financial assets and financial liabilities (the “Methodology”), which regulates methods and approaches for determining the fair value at which a transaction would be carried out on a voluntary basis to sell the asset or transfer liabilities between market participants at the valuation date in the current market conditions. The Methodology was drawn up in accordance with the laws of the Republic of Kazakhstan, International Financial Reporting Standards, the Accounting Policy of the Bank, as well as on the basis of commonly accepted approaches to measuring fair value used in national and international practices. In 2020, the Methodology was amended. The amendments will be applied prospectively for the period from 1 January 2021. The fair value of loans raised with the payment frequency is calculated as the present value of expected future cash flows (payment of principal and interest), calculated using a discount rate that reflects current return.*

5 Adoption of New or Revised Standards and Interpretations

Other new standards and clarifications. The following amended standards became effective from 1 January 2020, but did not have any material impact on the Bank:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Bank has not early adopted.

- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank’s financial statements.

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7 Cash and Cash Equivalents

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Reverse sale and repurchase agreements with original maturities of less than three months	2,850,498	66,590,603
NBRK notes with a maturity of less than three months	61,663,506	62,070,483
Cash balances with the NBRK (other than mandatory reserve deposits)	62,261,558	11,613,115
Mandatory cash balances with the NBRK	9,030,015	7,640,811
Cash on hand	2,070,277	2,778,572
Correspondent accounts in other banks	383,415	334,121
Current accounts	145	-
Less credit loss allowance	(1,522)	(2,826)
Total cash and cash equivalents	138,257,892	151,024,879

Since 2020, the Bank has decreased the amount of investment in reverse repo agreements, the notes of the National Bank of Republic of Kazakhstan (the “NBRK”) with a maturity of less than three months, thus increasing the amount of investments in other financial instruments.

The table below discloses the credit quality of cash and cash equivalents balances at 31 December 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Cash balances with the NBRK, including mandatory reserves	NBRK notes with a maturity of less than three months	Reverse sale and repurchase agreements with original maturities of less than three months	Correspondent accounts in other banks	Current accounts	Total
<i>Neither past due nor impaired</i>						
- National Bank of Republic of Kazakhstan	71,291,350	61,662,263	-	-	140	132,953,753
- BBB- to BBB+ rated	-	-	2,850,449	-	-	2,850,449
- BB- to BB+ rated	-	-	-	383,408	5	383,413
Total cash and cash equivalents, excluding cash on hand	71,291,350	61,662,263	2,850,449	383,408	145	136,187,615

Credit ratings are based on Standard and Poor’s ratings where available or Moody’s and Fitch ratings, which are then converted to the nearest equivalent on the Standard and Poor’s rating scale.

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7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances at 31 December 2019:

<i>(in thousands of Kazakhstani Tenge)</i>	NBRK notes with a maturity of less than three months	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts in other banks	Reverse sale and repurchase agreements with original maturities of less than three months	Total
<i>Neither past due nor impaired</i>					
- National Bank of Republic of Kazakhstan	62,069,039	19,253,589	-	-	81,322,628
- BBB- to BBB+ rated	-	-	-	66,589,564	66,589,564
- BB- to BB+ rated	-	-	334,115	-	334,115
Total cash and cash equivalents, excluding cash on hand	62,069,039	19,253,589	334,115	66,589,564	148,246,307

Credit ratings are based on Standard and Poor’s ratings where available or Moody’s and Fitch ratings, which are then converted to the nearest equivalent on the Standard and Poor’s rating scale.

As of 31 December 2020 the Bank had notes of NBRK with a maturity of less than three months in the total amount of Tenge 61,662,263 thousand (2019: Tenge 62,069,039 thousand), and also balances with NBRK, including mandatory reserves in the amount of Tenge 71,291,350 thousand (2018: Tenge 19,253,589 thousand).

Securities issued by “KazAgroFinance” JSC with the fair value of Tenge 2,850,449 thousand serves as collateral for reverse repurchase agreements.

As of 31 December 2020, the Bank had 1 counterparty bank, except for NBRK (2019: 1 counterparty bank). The total aggregate amount of these balances amounted to Tenge 383,408 thousand (2019: Tenge 334,115 thousand).

Interest rate analysis of cash and cash equivalents is disclosed in Note 23. Information on transactions with related parties is disclosed in Note 29.

As at 31 December 20120 and 31 December 2019, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. Refer to Note 23 for the ECL measurement approach.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020		31 December 2019	
	Carrying amount of REPO	Fair value of collateral	Carrying amount of REPO	Fair value of collateral
With B- to BBB+ rated collateral	2,850,449	2,850,498	66,589,564	66,589,009
Total	2,850,449	2,850,498	66,589,564	66,589,009

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8 Investments in Debt Securities

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Debt securities at FVOCI	127,381,358	130,594,733
Debt securities at AC	104,829,094	65,492,851
Total investments in debt securities	232,210,452	196,087,584

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes.

<i>(in thousands of Kazakhstani Tenge)</i>	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	76,575,156	50,224,065	126,799,221
Notes of the National Bank of RK	-	43,574,846	43,574,846
Bonds issued by international financial organizations	17,112,585	-	17,112,585
Bonds of Kazakhstani non-bank financial institutions	20,179,198	-	20,179,198
Corporate bonds	13,825,081	11,058,483	24,883,564
Total investments in debt securities at 31 December 2020 (fair value or gross carrying amount)	127,692,020	104,857,394	232,549,414
Credit loss allowance	(310,662)	(28,300)	(338,962)
Total investments in debt securities at 31 December 2020 (carrying amount)	127,381,358	104,829,094	232,210,452

The table below discloses investments in debt securities at 31 December 2019 by measurement categories and classes.

<i>(in thousands of Kazakhstani Tenge)</i>	Debt securities at FVOCI	Debt securities at AC	Total
Government securities of the Ministry of Finance of RK	90,559,009	1,983,552	92,542,561
Notes of the National Bank of RK	-	47,432,637	47,432,637
Bonds issued by international financial organizations	16,601,489	-	16,601,489
Bonds of Kazakhstani non-bank financial institutions	14,727,703	-	14,727,703
Corporate bonds	9,184,602	16,085,067	25,269,669
Total investments in debt securities at 31 December 2019 (fair value or gross carrying amount)	131,072,803	65,501,256	196,574,059
Credit loss allowance	(478,070)	(8,405)	(486,475)
Total investments in debt securities at 31 December 2019 (carrying amount)	130,594,733	65,492,851	196,087,584

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8 Investments in Debt Securities (Continued)

(a) Investments in debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2020, for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 23 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
<i>- Government securities of the Ministry of Finance of RK</i>		
BBB- rated	76,575,156	90,559,009
Gross carrying amount	76,575,156	90,559,009
Less credit loss allowance	(22,381)	(16,696)
Carrying amount (fair value)	76,552,775	90,542,313

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8 Investments in Debt Securities (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
<i>Corporate bonds</i>		
- BBB+ to BBB- rated	5,065,351	-
- BB+ to BB- rated	7,754,613	7,773,993
- B+ to B- rated	1,005,117	1,056,358
-unrated	-	354,251
Gross carrying amount	13,825,081	9,184,602
Less credit loss allowance	(212,448)	(397,736)
Carrying amount (fair value)	13,612,633	8,786,866
<i>Bonds issued by international financial organizations</i>		
- AAA rated	5,393,515	2,136,408
- BBB- rated	11,719,070	14,465,081
Gross carrying amount	17,112,585	16,601,489
Less credit loss allowance	(3,941)	(29,127)
Carrying amount (fair value)	17,108,644	16,572,362
<i>Bonds of Kazakhstani non-bank financial institutions</i>		
- BBB+ to BBB- rated	18,204,601	9,954,932
- BB+ to BB- rated	1,974,597	2,748,594
- B+ to B- rated	-	2,024,177
Gross carrying amount	20,179,198	14,727,703
Less credit loss allowance	(71,892)	(34,511)
Carrying amount (fair value)	20,107,306	14,693,192

Gross carrying amount of investments at FVOCI as at 31 December 2020 was Tenge 127,692,020 thousand (31 December 2019: Tenge 131,072,803 thousand), and credit loss allowance was Tenge 310,662 thousand (2019: Tenge 478,070 thousand). During the year ended 31 December 2020, there were no transfers between credit quality stages. Debt securities at FVOCI at 31 December 2020 are included in Stage 1.

The debt securities at FVOCI are not collateralised.

The credit ratings are based on Standard and Poor’s ratings where available, or Moody’s and Fitch rating converted to the nearest equivalent on the Standard and Poor’s rating scale.

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8 Investments in Debt Securities (Continued)

(b) Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2020 based on credit risk grades and discloses the balances by three stages for the purpose of ECL measurement. Refer to Note 23 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC. The carrying amount of debt securities at AC at 31 December 2020 below also represents the Bank’s maximum exposure to credit risk on these assets.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
<i>Notes of the National Bank of RK</i>		
BBB- rated	43,574,846	47,432,637
Gross carrying amount	43,574,846	47,432,637
Credit loss allowance	(3,274)	(4,637)
Carrying amount	43,571,572	47,428,000
<i>Government securities of the Ministry of Finance of RK</i>		
BBB- rated	50,224,065	1,983,552
Gross carrying amount	50,224,065	1,983,552
Credit loss allowance	(21,287)	(315)
Carrying amount	50,202,778	1,983,237
<i>Corporate bonds</i>		
BBB rated	11,058,483	16,085,067
Gross carrying amount	11,058,483	16,085,067
Credit loss allowance	(3,739)	(3,453)
Carrying amount	11,054,744	16,081,614

Gross carrying amount of investments at AC as at 31 December 2020 was Tenge 104,857,394 thousand (31 December 2019: Tenge 65,501,256 thousand), and credit loss allowance was Tenge 28,300 thousand (2019: Tenge 8,405 thousand). During the year ended 31 December 2020, there were no transfers between credit quality stages. Debt securities at AC as at 31 December 2020 were included in Stage 1.

As at 31 December 2020, debt securities at AC are not collateralised (2019: not collateralised).

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9 Loans and Advances to Customers

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019 (restated)
Preliminary housing loans	481,631,483	340,449,345
Interim housing loans	480,327,089	365,867,287
Housing loans	365,184,539	276,210,590
Less credit loss allowance	(7,461,986)	(2,133,056)
Total loans and advances to customers	1,319,681,125	980,394,166

As of 31 December 2020, the Bank had Top 10 borrowers with total loan amounts exceeding Tenge 90,000 thousand (2019: Tenge 81,600 thousand). The aggregate amount of these loans was Tenge 906,757 thousand (2019: Tenge 877,559 thousand), or 0.07% loan portfolio before allowance for loan impairment (2019: 0.09%).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2020 and 31 December 2019 are disclosed in the table below:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020			31 December 2019 (restated)		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Interim housing loans	480,327,089	(1,617,973)	478,709,116	365,867,287	(736,997)	365,130,290
Preliminary housing loans	481,631,483	(4,390,211)	477,241,272	340,449,345	(817,302)	339,632,043
Housing loans	365,184,539	(1,453,802)	363,730,737	276,210,590	(578,757)	275,631,833
Total loans and advances to customers at AC	1,327,143,111	(7,461,986)	1,319,681,125	982,527,222	(2,133,056)	980,394,166

There has been a significant increase in the amount of allowance in 2020, the main reason is the increase in the Stage due to the increase in the portfolio of restructured loans (in accordance with the decision of the Management Board No. 114 dated 1 October 2020). Details are specified in Note 23 “Financial Risk Management”.

More detailed explanation of classes of loans and advances to customers is provided below in Note 3, section “Loans and Advances to Customers”.

Due to the introduction of state of emergency in the territory of the Republic of Kazakhstan from 16 March 2020, there has been an increase in the amount of default loans in the second quarter, which affected the statistics of the vintage report. In addition, this led to an increase in the probability of defaults (MPD, DPD and APD) and had an impact on the level of provisions, also on grouping by Stages. The increase in the portfolio in Stage 2 is because of the transfer of loans from Stage 1 to Stage 2, due to the excess of the threshold value of the α indicator for APD for loans. According to the figures of 2020, the level of non-performing loans overdue for more than 90 days (NPL) stabilised and the share of NPL reached the level of 2019. (NPL 2019 - 0.16%; NPL 2020 - 0, 0,17%).

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9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Housing loans								
At 1 January 2020	(186,973)	(123,887)	(267,897)	(578,757)	228,816,801	46,687,748	706,041	276,210,590
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	16,710	(86,319)	-	(69,609)	(24,965,183)	24,965,183	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(1,233)	75,825	74,592	-	455,140	(455,140)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	719	3,730	(486,625)	(482,176)	(825,791)	(455,140)	1,280,931	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(4,822)	12,321	29,418	36,917	7,446,297	(7,366,789)	(79,508)	-
New originated or purchased	(65,330)	(28,716)	(34,628)	(128,674)	78,336,584	6,911,811	93,605	85,342,000
Repayment in full or in part during the period	18,691	14,092	41,255	74,038	(62,342,270)	(16,356,399)	(42,865)	(78,741,534)
Changes to ECL measurement model assumptions	(25,199)	(10,116)	15,700	(19,615)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	105,954	32,285	(5,535)	132,704
Changes in accrued interest	-	-	-	-	(74,392)	(19,573)	12,611	(81,354)
Transfer from preliminary and interim loans	(18,292)	(202,693)	(139,533)	(360,518)	22,437,339	59,656,855	227,939	82,322,133
Total movements with impact on credit loss allowance charge for the period	(77,523)	(298,934)	(498,588)	(875,045)	20,118,538	67,823,373	1,032,038	88,973,949
At 31 December 2020	(264,496)	(422,821)	(766,485)	(1,453,802)	248,935,339	114,511,121	1,738,079	365,184,539

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9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Preliminary loans								
At 1 January 2020	(155,563)	(304,938)	(356,801)	(817,302)	267,026,821	72,675,739	746,785	340,449,345
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	47,294	(447,627)	-	(400,333)	(76,995,141)	76,995,141	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(4,500)	91,459	86,959	-	242,182	(242,182)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	4,444	7,931	(3,241,829)	(3,229,454)	(3,777,600)	(1,021,979)	4,799,579	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(39,594)	169,580	11,524	141,510	44,088,568	(44,057,422)	(31,146)	-
New originated or purchased	(74,012)	(201,697)	(28,262)	(303,971)	155,085,576	24,065,690	52,272	179,203,538
Repayment in full or in part during the period	4,799	12,220	33,705	50,724	(7,145,649)	(19,756,400)	(244,308)	(27,146,357)
Changes to ECL measurement model assumptions	(59,460)	16,908	4,383	(38,169)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	2,368,219	936,802	8,547	3,313,568
Changes in accrued interest	-	-	-	-	(5,215)	(42,866)	111,097	63,016
Transfer from preliminary and interim loans	136	36,114	83,575	119,825	(230,413)	(13,919,489)	(101,725)	(14,251,627)
Total movements with impact on credit loss allowance charge for the period	(116,393)	(411,071)	(3,045,445)	(3,572,909)	113,388,345	23,441,659	4,352,134	141,182,138
At 31 December 2020	(271,956)	(716,009)	(3,402,246)	(4,390,211)	380,415,166	96,117,398	5,098,919	481,631,483

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9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Interim loans								
At 1 January 2020	(203,239)	(38,118)	(495,640)	(736,997)	355,252,577	9,571,689	1,043,021	365,867,287
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	67,685	(211,855)	-	(144,170)	(116,293,131)	116,293,131	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(668)	42,854	42,186	-	115,821	(115,821)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	641	4,485	(519,125)	(513,999)	(1,108,067)	(494,202)	1,602,269	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,314)	6,938	9,787	15,411	2,250,286	(2,223,835)	(26,451)	-
New originated or purchased	(105,280)	(467,951)	(42,115)	(615,346)	222,738,067	80,073,447	113,731	302,925,245
Repayment in full or in part during the period	13,627	3,347	47,244	64,218	(57,784,861)	(62,275,011)	(489,551)	(120,549,423)
Changes to ECL measurement model assumptions	(9,187)	5,212	32,885	28,910	-	-	-	-
Write-offs	-	-	1,121	1,121	-	-	(1,121)	(1,121)
Unwinding of discount	-	-	-	-	21,687	505,882	1,468	529,037
Changes in accrued interest	-	-	-	-	(146,559)	(241,902)	15,031	(373,430)
Transfer from preliminary and interim loans	18,156	166,579	55,958	240,693	(22,206,926)	(45,737,366)	(126,214)	(68,070,506)
Total movements with impact on credit loss allowance charge for the period	(15,672)	(493,913)	(371,391)	(880,976)	27,470,496	86,015,965	973,341	114,459,802
At 31 December 2020	(218,911)	(532,031)	(867,031)	(1,617,973)	382,723,073	95,587,654	2,016,362	480,327,089

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9 Loans and advances to customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Housing loans								
At 1 January 2019	(153,915)	(158,906)	(157,482)	(470,303)	158,661,059	58,404,136	413,069	217,478,264
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	3,617	(13,765)	-	(10,148)	(5,002,217)	5,002,217	-	-
- to lifetime (from Stage 1 to Stage 2)	-	(1,113)	71,631	70,518	-	193,598	(193,598)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	224	6,456	(172,058)	(165,378)	(260,021)	(261,293)	521,314	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(11,247)	56,889	22,209	67,851	21,701,973	(21,641,948)	(60,025)	-
New originated or purchased	(34,682)	(8,055)	(9,460)	(52,197)	54,536,777	1,726,221	20,575	56,283,573
Repayment in full or in part during the period	13,869	19,750	36,016	69,635	(46,977,761)	(14,959,292)	(170,941)	(62,107,994)
Changes to ECL measurement model assumptions	19,723	16,578	4,760	41,061	-	-	-	-
Unwinding of discount	-	-	-	-	43,078	1,939	129	45,146
Changes in accrued interest	-	-	-	-	(68,478)	(9,097)	5,334	(72,241)
Transfer from preliminary and interim loans	(24,562)	(41,721)	(63,513)	(129,796)	46,182,391	18,231,267	170,184	64,583,842
Total movements with impact on credit loss allowance charge for the period	(33,058)	35,019	(110,415)	(108,454)	70,155,742	(11,716,388)	292,972	58,732,326
At 31 December 2019	(186,973)	(123,887)	(267,897)	(578,757)	228,816,801	46,687,748	706,041	276,210,590

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9 Loans and Advances to Customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for preliminary housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance			Total	Gross carrying amount (restated)			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	
Preliminary loans								
At 1 January 2019	(84,013)	(71,233)	(315,007)	(470,253)	154,661,451	11,288,049	659,749	166,609,249
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	29,981	(141,409)	-	(111,428)	(57,559,410)	57,559,410	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(3,151)	63,121	59,970	-	168,217	(168,217)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	131	6,465	(163,834)	(157,238)	(212,469)	(186,585)	399,054	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,819)	11,851	12,324	22,356	2,087,490	(2,054,181)	(33,309)	-
New originated or purchased	(80,499)	(149,709)	(18,571)	(248,779)	172,602,737	26,877,861	50,191	199,530,789
Repayment in full or in part during the period	3,674	6,637	38,298	48,609	(5,185,530)	(12,720,399)	(153,366)	(18,059,295)
Changes to ECL measurement model assumptions	(23,019)	17,212	21,789	15,982	-	-	-	-
Unwinding of discount	-	-	-	-	634,770	894,776	2,005	1,531,551
Changes in accrued interest	-	-	-	-	6,043	(41,888)	2,931	(32,914)
Transfer from preliminary and interim loans	1	18,399	5,079	23,479	(8,261)	(9,109,521)	(12,253)	(9,130,035)
Total movements with impact on credit loss allowance charge for the period	(71,550)	(233,705)	(41,794)	(347,049)	112,365,370	61,387,690	87,036	173,840,096
At 31 December 2019	(155,563)	(304,938)	(356,801)	(817,302)	267,026,821	72,675,739	746,785	340,449,345

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9 Loans and advances to customers (Continued)

The following table discloses the changes in the credit loss allowance and gross carrying amount for interim housing loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Interim loans								
At 1 January 2019	(222,702)	(79,022)	(435,521)	(737,245)	268,693,856	10,362,090	844,443	279,900,389
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	19,774	(33,726)	-	(13,952)	(22,033,669)	22,033,669	-	-
- to lifetime (from Stage 3 to Stage 2)	-	(210)	36,669	36,459	-	98,058	(98,058)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	438	13,059	(204,945)	(191,448)	(496,411)	(327,834)	824,245	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1,932)	17,055	10,529	25,652	4,286,933	(4,260,648)	(26,285)	-
New originated or purchased	(117,858)	(15,164)	(28,381)	(161,403)	232,285,054	3,325,468	76,707	235,687,229
Repayment in full or in part during the period	13,148	3,666	35,744	52,558	(81,804,690)	(12,615,360)	(428,725)	(94,848,775)
Changes to ECL measurement model assumptions	81,332	32,902	31,831	146,065	-	-	-	-
Unwinding of discount	-	-	-	-	772,902	124,482	1,860	899,244
Changes in accrued interest	-	-	-	-	(277,267)	(46,490)	6,765	(316,992)
Transfer from preliminary and interim loans	24,561	23,322	58,434	106,317	(46,174,131)	(9,121,746)	(157,931)	(55,453,808)
Total movements with impact on credit loss allowance charge for the period	19,463	40,904	(60,119)	248	86,558,721	(790,401)	198,578	85,966,898
At 31 December 2019	(203,239)	(38,118)	(495,640)	(736,997)	355,252,577	9,571,689	1,043,021	365,867,287

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9 Loans and Advances to Customers (Continued)

The credit quality of loans is as follows at 31 December 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Interim loans	382,504,162	95,055,623	1,149,331	478,709,116
Neither past due nor impaired				
fully collateralized:				
- LTV less than 25%	382,295,841	91,690,762	742,459	474,729,062
- LTV from 25% to 50%	1,403,533	365,777	5,253	1,774,563
- LTV from 51% to 75%	31,957,452	7,219,343	56,452	39,233,247
- LTV from 76% to 100%	306,396,276	73,162,719	563,278	380,122,273
- LTV more than 100%	15,757,921	3,632,107	65,024	19,455,052
- unsecured	26,780,659	7,310,816	52,452	34,143,927
- less than 30 days overdue	-	-	-	-
- 31 to 60 days overdue	427,232	2,952,713	22,666	3,402,611
- 61 to 90 days overdue	-	648,902	23,793	672,695
- 91 to 180 days overdue	-	295,277	14,371	309,648
- 181 to 360 days overdue	-	-	603,115	603,115
- over 360 days overdue	-	-	33,628	33,628
Credit loss allowance	(218,911)	(532,031)	(867,031)	(1,617,973)
Preliminary loans	380,143,210	95,401,389	1,696,673	477,241,272
Neither past due nor impaired				
fully collateralized:				
- LTV less than 25%	380,014,935	90,145,459	4,474,265	474,634,659
- LTV from 25% to 50%	1,018,764	209,217	9,289	1,237,270
- LTV from 51% to 75%	17,772,747	2,840,034	29,319	20,642,100
- LTV from 76% to 100%	257,844,998	35,314,414	256,808	293,416,220
- LTV more than 100%	83,679,565	49,805,597	118,251	133,603,413
- unsecured	19,698,571	1,976,197	4,060,598	25,735,366
- less than 30 days overdue	290	-	-	290
- 31 to 60 days overdue	400,231	4,748,709	37,766	5,186,706
- 61 to 90 days overdue	-	845,378	43,319	888,697
- 91 to 180 days overdue	-	377,852	-	377,852
- 181 to 360 days overdue	-	-	182,072	182,072
- over 360 days overdue	-	-	42,788	42,788
Credit loss allowance	(271,956)	(716,009)	(3,402,246)	(4,390,211)
Housing loans	248,670,843	114,088,300	971,594	363,730,737
Neither past due nor impaired				
fully collateralized:				
- LTV less than 25%	248,457,010	111,027,403	1,128,782	360,613,195
- LTV from 25% to 50%	63,416,540	18,035,416	323,671	81,775,627
- LTV from 51% to 75%	165,078,871	87,878,621	719,383	253,676,875
- LTV from 76% to 100%	19,831,095	4,999,774	85,728	24,916,597
- LTV more than 100%	96,983	37,611	-	134,594
- unsecured	33,521	73,145	-	106,666
- less than 30 days overdue	-	2,836	-	2,836
- 31 to 60 days overdue	478,329	2,699,740	69,366	3,247,435
- 61 to 90 days overdue	-	585,393	19,730	605,123
- 91 to 180 days overdue	-	198,585	6,403	204,988
- 181 to 360 days overdue	-	-	206,151	206,151
- over 360 days overdue	-	-	113,456	113,456
Credit loss allowance	(264,496)	(422,821)	(766,485)	(1,453,802)
Gross carrying amount	1,012,073,578	306,216,173	8,853,360	1,327,143,111
Credit loss allowance	(755,363)	(1,670,861)	(5,035,762)	(7,461,986)
Carrying amount	1,011,318,215	304,545,312	3,817,598	1,319,681,125

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9 Loans and Advances to Customers (Continued)

Analysis of loans by credit quality at 31 December 2019 is disclosed as follows (restated)

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Interim loans	355,049,338	9,533,571	547,381	365,130,290
Neither past due nor impaired fully collateralized:				
- LTV less than 25%	353,632,370	7,082,863	189,800	360,905,033
- LTV from 25% to 50%	1,275,398	55,316	-	1,330,714
- LTV from 51% to 75%	28,276,307	578,685	12,965	28,867,957
- LTV from 76% to 100%	297,298,642	5,327,133	142,348	302,768,123
- LTV more than 100%	16,896,795	942,961	34,486	17,874,242
- less than 30 days overdue	9,885,228	178,769	-	10,063,997
- 31 to 60 days overdue	1,620,207	1,605,581	-	3,225,788
- 61 to 90 days overdue	-	634,280	6,352	640,632
- 91 to 180 days overdue	-	248,964	3,809	252,773
- 181 to 360 days overdue	-	-	227,917	227,917
- over 360 days overdue	-	-	69,734	69,734
Credit loss allowance	(203,239)	(38,118)	(495,640)	(736,997)
Preliminary loans	266,871,258	72,370,801	389,984	339,632,043
Neither past due nor impaired fully collateralized:				
- LTV less than 25%	266,896,007	69,655,784	285,056	336,836,847
- LTV from 25% to 50%	2,298,165	277,934	1,340	2,577,439
- LTV from 51% to 75%	11,050,048	2,040,060	40,653	13,130,761
- LTV from 76% to 100%	123,300,416	49,200,771	80,747	172,581,934
- LTV more than 100%	114,482,732	15,100,245	98,997	129,681,974
- unsecured	15,764,361	3,036,774	63,319	18,864,454
- less than 30 days overdue	285	-	-	285
- 31 to 60 days overdue	130,814	2,278,539	5,510	2,414,863
- 61 to 90 days overdue	-	556,897	12,990	569,887
- 91 to 180 days overdue	-	184,519	23,950	208,469
- 181 to 360 days overdue	-	-	81,007	81,007
- over 360 days overdue	-	-	45,629	45,629
Credit loss allowance	(155,563)	(304,938)	(356,801)	(817,302)
Housing loans	228,629,828	46,563,861	438,144	275,631,833
Neither past due nor impaired fully collateralized:				
- LTV less than 25%	228,118,936	44,064,613	340,528	272,524,077
- LTV from 25% to 50%	48,291,923	16,298,071	46,075	64,636,069
- LTV from 51% to 75%	161,040,593	23,324,145	226,444	184,591,182
- LTV from 76% to 100%	18,480,013	3,597,983	61,523	22,139,519
- LTV more than 100%	241,034	414,039	-	655,073
- unsecured	63,684	429,351	-	493,035
- less than 30 days overdue	1,688	1,024	6,487	9,199
- 31 to 60 days overdue	697,866	1,933,473	43,722	2,675,061
- 61 to 90 days overdue	-	493,934	-	493,934
- 91 to 180 days overdue	-	195,728	9,673	205,401
- 181 to 360 days overdue	-	-	163,922	163,922
- over 360 days overdue	-	-	109,666	109,666
Credit loss allowance	(186,973)	(123,887)	(267,897)	(578,757)
Gross carrying amount	851,096,199	128,935,176	2,495,847	982,527,222
Credit loss allowance	(545,775)	(466,943)	(1,120,338)	(2,133,056)
Carrying amount	850,550,424	128,468,233	1,375,509	980,394,166

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9 Loans and Advances to Customers (Continued)

For description of the credit risk grading used in the tables above refer to Note 23.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if there is any. Based on this, the ageing analysis of loans that are individually determined as impaired is presented above.

LTV coefficient represents ratio of gross carrying amount of loans as of the reporting date to the cost of collateral, which consists of real estate and cash collateral in the form of deposits.

All loans were issued to individuals.

Information about collateral is as follows at 31 December 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Housing loans	Preliminary loans	Interim loans	Total
Unsecured loans	2,745	289	-	3,034
Loans guaranteed by other individuals	2,299,597	-	-	2,299,597
Loans collateralised by:				
- residential real estate	353,964,323	454,176,732	443,341,048	1,251,482,103
- land	1,073,539	12,460	810,751	1,896,750
- other real estate	176,118	-	398,198	574,316
- cash deposits	23,036	22,860,552	33,753,366	56,636,954
- residential real estate, deposits and guarantees (multi-pledged)	-	191,239	122,503	313,742
Other assets	6,191,379	-	283,250	6,474,629
Total loans and advances to customers	363,730,737	477,241,272	478,709,116	1,319,681,125

The collateral value of real estate is included in the calculation of provisions only for loans with a delay of more than 90 days.

Loans collateralized by commercial real estate are categorized within other real estate. Loans collateralized by property right are classified as other. Loans and advances to customers are allocated by types of collateral depending on the highest cost of collateral, i.e. a loan is categorized to a certain category, if it is secured by collateral except for loans secured by property rights and a deposit. These loans are classified as cash deposits.

The amount of deposits held as collateral on loans granted as at 31 December 2020 was Tenge 385,858,999 thousand (2019: Tenge 285,840,765 thousand).

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9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Housing loans	Preliminary loans	Interim loans	Total (restated)
Unsecured loans	2,710	285	-	2,995
Loans guaranteed by other individuals	1,984,809	5,993	1,846	1,992,648
Loans collateralised by:				
- residential real estate	270,842,042	321,647,098	353,539,804	946,028,944
- land	983,226	30,735	1,048,818	2,062,779
- other real estate	43,222	7,385	299,113	349,720
- cash deposits	28,176	17,737,355	10,018,734	27,784,265
- residential real estate, deposits and guarantees (multi-pledged)	-	203,192	221,975	425,167
Other assets	1,747,648	-	-	1,747,648
Total loans and advances to customers	275,631,833	339,632,043	365,130,290	980,394,166

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying amount of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying amount of the asset (“under-collateralised assets”). The fair value of collateral includes fixed collateral in the form of real estate and cash deposits.

The effect of collateral on impaired assets of Stage 3 at 31 December 2020 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Housing loans	971,594	5,340,592	-	-
Preliminary housing loans	569,416	1,630,768	1,127,257	1,119,897
Interim housing loans	1,120,206	2,966,778	29,125	29,322

The effect of collateral on impaired assets of Stage 3 at 31 December 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Housing loans	438,144	2,307,400	-	-
Preliminary housing loans	379,568	1,223,999	10,416	10,416
Interim housing loans	547,381	1,554,246	-	-

At the end of the reporting period the fair value of collateral in the form of real estate was determined by the revaluation carried out every six months. The 2020 revaluation was conducted by the employees of Collateral Risk Division of the Risk Management Department. The amount of deposit is deducted from the carrying amount of the portfolio. The estimated fair value of each class of loans and advances to customers is presented in Appendix 26. Interest rate analysis of loans and advances to customers is disclosed in Note 23. Information on related party transactions is disclosed in Note 29.

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10 Premises, Equipment, Right-of-Use Assets and Intangible Assets

Below is presented movement of premises, equipment intangible assets:

<i>(in thousands of Kazakhstani Tenge)</i>	Land and buildings	Office computer and equipment	Vehicles	Total
Cost at 1 January 2019	1,600,958	4,703,686	252,488	6,557,132
Accumulated depreciation	(244,242)	(2,637,823)	(49,955)	(2,932,020)
Carrying amount at 1 January 2019	1,356,716	2,065,863	202,533	3,625,112
Additions	-	1,330,266	-	1,330,266
Transfer from non-current assets held for sale	856,850	-	-	856,850
Disposals	-	(121,697)	(13,741)	(135,438)
Impairment loss	-	(483)	-	(483)
Depreciation charge	(79,384)	(819,977)	(42,091)	(941,452)
Transfer of accumulated depreciation	(110,623)	-	-	(110,623)
Depreciation charge on disposal	-	121,697	13,741	135,438
Carrying amount at 31 December 2019	2,023,559	2,575,669	160,442	4,759,670
Cost at 31 December 2019	2,457,808	5,912,255	238,747	8,608,810
Accumulated depreciation	(434,249)	(3,336,586)	(78,305)	(3,849,140)
Carrying amount at 1 January 2020	2,023,559	2,575,669	160,442	4,759,670
Additions	-	1,608,108	8,725	1,616,833
Transfer from non-current assets held for sale	-	-	-	-
Disposals	-	(68,961)	-	(68,961)
Impairment loss	-	-	-	-
Depreciation charge	(59,915)	(1,078,494)	(42,092)	(1,180,501)
Transfer of accumulated depreciation	-	-	-	-
Depreciation charge on disposal	-	68,961	-	68,961
Carrying amount at 31 December 2020	1,963,644	3,105,283	127,075	5,196,002
Cost at 31 December 2020	2,457,808	7,451,402	247,472	10,156,682
Accumulated depreciation	(494,164)	(4,346,119)	(120,397)	(4,960,680)
Carrying amount at 31 December 2020	1,963,644	3,105,283	127,075	5,196,002

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10 Premises, Equipment, Right-of-Use Asset and Intangible Assets (Continued)

<i>(in thousands of Kazakhstani Tenge)</i>	PC Software Licenses	Internally developed software	Total
Cost at 1 January 2019	3,469,865	8,935	3,478,800
Accumulated depreciation	(1,094,117)	(8,935)	(1,103,052)
Carrying amount at 1 January 2019	2,375,748	-	2,375,748
Additions	2,028,087	-	2,028,087
Disposals	(35,275)	-	(35,275)
Depreciation charge	(529,617)	-	(529,617)
Depreciation charge on disposal	35,275	-	35,275
Carrying amount at 31 December 2019	3,874,218	-	3,874,218
Cost at 31 December 2019	5,462,677	8,935	5,471,612
Accumulated depreciation	(1,588,459)	(8,935)	(1,597,394)
Carrying amount at 1 January 2020	3,874,218	-	3,874,218
Additions	2,619,816	184,884	2,804,700
Disposals	(129,846)	-	(129,846)
Depreciation charge	(993,524)	(734)	(994,258)
Depreciation charge on disposal	129,846	-	129,846
Carrying amount at 31 December 2020	5,500,510	184,150	5,684,660
Cost at 31 December 2020	7,952,647	193,819	8,146,466
Accumulated depreciation	(2,452,137)	(9,669)	(2,461,806)
Carrying amount at 31 December 2020	5,500,510	184,150	5,684,660

10 Premises, Equipment, Right-of-Use Asset and Intangible Assets (Continued)

The Bank leases offices. Lease contracts are typically made for fixed periods of up to one year.

Since 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Bank.

The right of use assets by class of underlying items is analysed as follows.

<i>(in thousands of Kazakhstani Tenge)</i>	Buildings	Total
Carrying amount at 1 January 2019	-	-
Additions	662,694	662,694
Depreciation charge	(166,165)	(166,165)
Carrying amount at 31 December 2019	496,529	496,529
Cost at 31 December 2019	662,694	662,694
Accumulated depreciation	(166,165)	(166,165)
Carrying amount at 1 January 2020	496,529	496,529
Additions	80,096	80,096
Depreciation charge	(310,395)	(310,395)
Carrying amount at 31 December 2020	266,230	266,230
Cost at 31 December 2020	742,790	742,790
Accumulated depreciation	(476,560)	(476,560)
Carrying amount at 31 December 2020	266,230	266,230

Interest expense on lease liabilities was Tenge 39,818 (2019: Tenge 31,753 thousand).

Expenses relating to short-term leases are included in general and administrative expenses.

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019
Expense relating to short-term leases	637,952	586,041

Total cash outflow for leases in 2020 was Tenge 361,357 thousand excluding VAT (2019: Tenge 131,178 thousand).

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11 Other Financial Assets and Other Assets

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Receivables on banking activity	5,417,469	2,979,171
Total other financial assets	5,417,469	2,979,171

Receivables on banking activity is mainly represented by the claims to the second-tier banks on accepted payments from the Bank’s clients through ATMs, internet-banking and terminals for crediting current and savings accounts of the clients opened in the Bank, which are closed on the next working day after the transfer of actual amounts and receipt of the register of payments from the second-tier banks.

Other financial assets are neither past due nor impaired. For the purposes of ECL measurement, other financial assets are included in Stage 1. Due to the short-term nature of other financial assets, the Bank does not create credit loss allowance for them.

The credit quality of receivables on banking activity as at 31 December 2020 and 31 December 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
<i>Neither past due nor impaired</i>		
- BBB- to BBB+ rated	1,875	315
- BB- to BB+ rated	5,269,713	2,962,466
- B- to B+ rated	145,824	16,390
- unrated	57	-
Total receivables on banking activity, neither past due nor impaired	5,417,469	2,979,171

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Prepayment for services	192,855	192,117
Inventories and other materials	54,128	72,252
Other	17,040	72,045
Prepayments for taxes excluding profit tax	5,608	3,784
Less: provision for impairment	(1,608)	(1,695)
Total other assets	268,023	338,503

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12 Customer Accounts

Customer accounts include amounts on current accounts and term deposits of individuals and presented as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Legal entities		
Long-term deposits	650	-
Current accounts	40,648,577	74,934,947
Individuals		
Long-term deposits	648,718,202	520,990,279
Current accounts	22,432,867	20,257,414
Customer accounts	711,800,296	616,182,640
Deposits served as collateral on loans given	385,858,999	285,840,765
Total customer accounts	1,097,659,295	902,023,405

Customer accounts are classified as long-term deposits pursuant to their maturities. However, individuals are entitled to withdraw cash from accounts prior to maturity.

At 31 December 2020, customer accounts in the amount of Tenge 40,912,695 thousand (4% of the total balance) represented accounts of ten major clients, including Tenge 40,576,028 thousand on funds of legal entities and Tenge 336,667 thousand on funds of individuals. At 31 December 2019, customer accounts in the amount of Tenge 75,316,620 thousand (8% of the total balance) represented accounts of ten major clients, including Tenge 74,893,303 thousand on funds of legal entities and Tenge 423,317 thousand on funds of individuals. A substantial decrease in the balance of current accounts for legal entities is associated with the current operating activities of the legal entity.

According to the terms of the Contract on house construction savings, the Bank depositors have the right to receive housing loan in the amount equal to a difference between contract amount and their accumulated deposits, estimated fees and state premium based on the decision of government, in the case if all requirements of signed contract of house construction savings are fulfilled. Therefore, the Bank has contingent liabilities to depositors for granting a housing loan (Note 27).

Annually the government provides premiums on house construction savings of depositors from the government budget, including estimated fees not exceeding 20% of 200 monthly calculation indexes per one depositor to encourage house construction savings in Kazakhstan.

Recording and placement of amounts of government premium into account of depositors takes place only after its actual receipt from the Committee for Construction and Housing and Utility Services of the Ministry of Industry and Infrastructure Development.

The Bank does not have any obligations to depositors, if Committee for Construction and Housing and Utility Services of the Ministry of Industry and Infrastructure Development does not transfer the government premium to the Bank's accounts.

Refer to Note 26 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 23. Information on related party balances is disclosed in Note 29.

Current accounts of legal entities represent current accounts of the companies under common control. The Bank accrues for interest on the current account balances of legal entities (Parent Company subsidiaries). The remuneration rate is equal to the lower value of the NBRK base rate corridor minus 0.5 for each of the year. In 2020, the remuneration rate varied from 7% (minimum value) to 10% (maximum value). (2019: 7.75%).

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13 Borrowed Funds

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019 (restated)
Ministry of Finance of the Republic of Kazakhstan	42,445,200	36,396,852
“Samruk Kazyna” National Welfare Fund” JSC	14,883,776	14,359,043
Parent company	7,136,849	6,640,480
Administration of Almaty	3,070,888	1,761,619
Administration of Nur-Sultan	31,797	-
“Nazarbayev Intellectual Schools” AEO	45,545	-
Total borrowed funds	67,614,055	59,157,994

At initial recognition, the Bank recognized the above loans at fair value (Note 4).

The table below provides movements in the Bank’s borrowed funds arising as a result of financing activities for each period presented. Indebtedness items were recorded in the statement of cash flows within financing activities.

<i>(in thousands of Kazakhstani Tenge)</i>	Borrowed funds
Balance at 1 January 2019	59,570,463
Cash flow	76,223,000
Other changes not associated with cash flow	(76,635,469)
Balance at 31 December 2019	59,157,994
Cash flow	69,187,000
Other changes not associated with cash flow	(60,730,939)
Balance at 31 December 2020	67,614,055

Information on fair value of each class of other borrowed funds is disclosed in Note 26. Interest rate analysis of other borrowed funds is disclosed in Note 23. Information on related party transactions is disclosed in Note 29.

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14 Other Financial Liabilities and Other liabilities

Other liabilities comprise the following:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Deferred commission fee	2,220,870	2,541,735
Other	582,054	596,507
Other accrued liabilities	465,980	501,618
Long-term lease	294,164	535,607
Total other financial liabilities	3,563,068	4,175,467
Accrued employee benefits costs	930,753	885,077
Accrued expenses for administrative activities	646,912	715,473
Taxes payable other than income tax	353,406	341,955
Other	78,512	210,154
Total other liabilities	2,009,583	2,152,659

Deferred commission fee is a part of the commission fee of 50% for the conclusion of the contract for housing construction savings and the change in the terms of the contract for housing construction savings, which at the time of receiving the loan is transferred to the discount account for the loan and amortized taking into account commissions related to the issue of a loan for the entire period of the loan received at the effective interest rate.

The table below shows the changes in the long-term lease of the Bank arising from financial activities in 2020. Debt items are reflected in the statement of cash flows as financial activities.

<i>(in thousands of Kazakhstani Tenge)</i>	Long-term lease
Balance at 1 January 2019	-
Cash flow	(131,178)
Other changes not associated with cash flow	666,785
Balance at 31 December 2019	535,607
Cash flow	(361,357)
Other changes not associated with cash flow	119,914
Balance at 31 December 2020	294,164

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15 Debt Securities in Issue

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Bonds issued on domestic market	113,680,020	78,650,059
Total debt securities in issue	113,680,020	78,650,059

During 2020 the Bank paid half-year coupons in the amount of Tenge 7,581,660 thousand on issued debt securities.

In March 2020, the Bank registered the second bond program of Tenge 210,000,000 thousand, as well as three bond issues as part of this program (Tenge 30 billion, Tenge 90 billion and Tenge 90 billion). In July 2020, the second issue of bonds was placed within the second bond program of the Bank for a total number of 90,000,000 bonds with a nominal value of Tenge 1,000. The bonds are maturing in 20 years, the coupon rate is 4.05%, with a frequency of the coupon payment two times a year on the unorganized market by entering into a Securities Purchase and Sale Agreement with NMH “Baiterek” JSC. Proceeds from the listed bonds were used to provide interim and preliminary housing loans in order to ensure the purchase of housing by depositors of “Otbasy Bank” JSC, who are on the waiting list and are on the lists of local executive bodies.

In October 2020, the Bank registered the second issue of bonds under the first bond program of the Bank for the total number of 1,500,000 bonds with a nominal value of Tenge 1,000, maturing in 4 years, a coupon rate of 2.00% per annum, with a coupon payment frequency of two times a year. In November 2020, 1,316,432 bonds were listed on the unorganized market by entering into a Securities Sale and Purchase Agreement with “Karazhanbasmunai” JSC. Proceeds from the bonds will be used to finance the Issuer's lending and investment activities.

Upon initial recognition, the Bank recognised the bonds issued at fair value (Note 4).

The table below shows the changes in issued debt securities arising from financial activities for each period presented. Debt items are reflected in the statement of cash flows as financial activities.

<i>(in thousands of Kazakhstani Tenge)</i>	Debt securities
At 1 January 2019	57,730,697
Cash flow	20,000,000
Other changes not associated with cash flow	919,362
At 31 December 2019	78,650,059
At 1 January 2020	78,650,059
Cash flow	91,316,432
Other changes not associated with cash flow	(56,286,471)
At 31 December 2020	113,680,020

As at 31 December 2020, the Bank had issued debt securities held by 5 counterparties (2019: 4 counterparties). The balance of debt securities issued as at 31 December 2020 is Tenge 113,680,020 thousand (2019: Tenge 78,650,059 thousand).

Information on fair value of each class of debt securities in issue is disclosed in Note 26. Information on related party transactions with debt securities in issue is disclosed in Note 29.

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16 Government Grants

Government grants. The Bank recognised the amount of benefits provided through a low-interest rate on funds received from the Government of the Republic of Kazakhstan and the Parent Company for the implementation of the government programs “Bakytty Otbasy” and “Shanyrak” as a government grant.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019 (restated)
Balance at the beginning of the year	33,893,322	-
Government grant received under the government program “Bakytty Otbasy” from the Government of the Republic of Kazakhstan by obtaining a loan (Note 13)	46,774,007	44,668,567
Government grant received under the government program “Shanyrak” from the Parent Company through the debt securities issue (Note 15)	57,747,025	-
Government grant received under the government program “Bakytty Otbasy” from local executive bodies by obtaining a loan (Note 13)	-	2,045,141
Use of government grants once loans to the Bank customers are issued	(16,660,494)	(12,820,386)
Total government grants	121,753,860	33,893,322

After initial recognition, the Bank recognised an amount corresponding to the amount of net income/expense on loans to customers, through borrowed funds and the amount of the amortised discount on borrowed funds in profit or loss. The Bank shall distribute benefits among the end borrowers through low interest rates on loans.

During the year ended 31 December 2020, government grants transferred to profit or loss (Note 20) constituted Tenge 16,660,494 thousand (2019: Tenge 12,820,385 thousand) and were included in other income.

17 Share Capital

<i>(in thousands of Kazakhstani Tenge except for number of shares)</i>	Shares (thousands of units)	Ordinary shares	Total
At 1 January 2019	7,830	78,300,000	78,300,000
New shares issued	-	-	-
At 31 December 2019	7,830	78,300,000	78,300,000
New shares issued	-	-	-
At 31 December 2020	7,830	78,300,000	78,300,000

On 29 May 2020, the Bank paid dividends to the Sole Shareholder NMH “Baiterek” JSC for the total amount of Tenge 8,292,596 for the results of the year ended 31 December 2019. The dividend per share was Tenge 1,059.08.

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18 Interest Income and Expenses

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019 (restated)
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	77,794,558	58,072,146
Debt securities at AC	16,663,556	12,834,338
Debt securities at FVOCI	10,805,425	10,583,604
Due from National Bank of the Republic of Kazakhstan	4,321,199	2,540,386
Due from other banks at AC	1,848,916	687,930
Total interest income calculated using the effective interest method	111,433,654	84,718,404
Interest income calculated using the effective interest method		
Customer accounts	(21,830,987)	(18,046,930)
Bonds in issue	(9,426,881)	(6,458,173)
Borrowed funds	(4,586,929)	(3,568,056)
REPO transactions with securities	0	(33,476)
Total interest income calculated using the effective interest method	(35,844,797)	(28,106,635)
Other similar expense		
Lease liabilities	(39,818)	(31,753)
Total interest and other similar expense	(35,884,615)	(28,138,388)
Net interest and other similar income	75,549,039	56,580,016

Interest income includes interest income in the amount of Tenge 97,848 thousand (2019: Tenge 32,521 thousand) recognized on impaired non-performing loans of the clients.

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19 Fee and Commission Income and Expenses

<i>(in thousands of Kazakhstani Tenge)</i>	2020		2019	
	Mortgage/Retail banking	Investment banking	Mortgage/Retail banking	Investment banking
Fee and commission income				
<i>Fee and commission income not relating to financial instruments at FVTPL:</i>				
Fee charged for early money withdrawal from savings account	613,346	-	539,165	-
Cash transactions	338,098	-	366,869	-
Conversion operations	309,729	-	199,449	-
Other	277,180	-	169,412	-
Total fee and commission income	1,538,353	-	1,274,895	-
Fee and commission expense				
<i>Fee and commission income not relating to financial instruments at FVTPL</i>				
Agent commission	(5,320,133)	-	(4,310,018)	-
Settlement transactions	(1,190,467)	(85,126)	(661,499)	(56,339)
Transactions with securities	-	(8,227)	-	(3,526)
Others	-	(33,279)	-	(31,588)
Total fee and commission expense	(6,510,600)	(126,632)	(4,971,517)	(91,453)
Net fee and commission expense	(4,972,247)	(126,632)	(3,696,622)	(91,453)

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20 Other Operating Expense, Net

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019
Expenses in form of contributions into the Kazakhstan Deposit Insurance Fund JSC	(1,503,403)	(1,179,423)
Net income from forfeit (penalty, fine)	41,876	37,515
Net other expense from banking activity	1,362	(8,619)
Net other income/expense from non-operating activity	(26,599)	(6,781)
Income from disposal of premises and equipment and intangible assets	151	7,753
Expenses from the impairment of premises and equipment	-	(483)
Expenses from the impairment of premises and equipment and intangible assets	(2,402)	(31,264)
Expenses from the disposal of inventory	(861)	
(Provision)/recovery of provision for receivables related to non-operating activity	15	100
Total other operating expense	(1,489,861)	(1,181,202)

21 Administrative Expenses

Administrative and other operating expenses include:

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019
Staff costs	10,455,994	9,491,975
Repair and maintenance	1,533,370	1,031,261
Depreciation of premises and equipment	1,490,896	1,107,617
Amortisation of software and other intangible assets	994,258	529,617
Communication services	805,609	735,901
Other	768,870	909,799
Taxes other than on income	692,592	517,426
Operating lease expenses	637,952	586,041
Outsourcing expenses	359,226	537,758
Advertising and marketing services	320,135	668,315
Consulting services	155,240	215,010
Staff training	127,140	199,185
Stationery and printing expenses	122,234	29,932
Materials	88,232	129,565
Business trip expenses	74,840	325,492
Transportation expense	31,190	54,720
Insurance	14,300	15,367
Administrative expenses of the Board of Directors	12,455	14,101
Charity and sponsorship	3,522	14,978
Total administrative and other operating expenses	18,688,055	17,114,060

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22 Income Taxes

Income tax expense and benefit represented in profit and losses for the period includes the following components:

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019 (restated)
Current income tax expense	2,383,691	2,492,347
Deferred income tax benefit	(1,152,767)	(1,247,214)
Income tax expense for the year	(1,230,924)	(1,245,133)

The income tax rate applicable to the majority of the Banks’s income is 20% (2019: 20%).

The effective interest rate differs from statutory income tax rate. A reconciliation of income tax expense based on statutory rates with actual expenditures:

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019 (restated)
Profit before tax	33,015,007	28,592,148
Statutory tax rate	20%	20%
Theoretical tax charge at statutory rate	6,603,001	5,718,430
Non-taxable income on state securities and securities at the highest and next to the highest listing categories	(5,534,967)	(4,685,091)
Other non-taxable/non-deductible income/expense	162,890	211,794
Income tax expense	(1,230,924)	(1,245,133)

Differences between IFRS and statutory taxation regulations in Kazakhstan lead to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

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22 Income Taxes (Continued)

The tax effect of the movements in these temporary differences is detailed below.

<i>(in thousands of Kazakhstani)</i>	1 January 2019	Credited/ (charged) to profit or loss (restated)	Credited/ (charged) directly to equity	31 December 2019 (restated)	Credited/ (charged) to profit or loss	Credited/ (charged) directly to equity	31 December 2020
Tax effect of deductible temporary differences							
Loans and advances to customers	1,028,586	3,222,435	-	4,251,021	3,908,716	-	8,159,737
Government grants	0	6,778,664	-	6,778,664	17,572,108	-	24,350,772
Other liabilities	345,804	164,092	-	509,896	76,193	-	586,089
Deferred tax assets	1,374,390	10,165,191	-	11,539,581	21,557,017	-	33,096,598
Tax effect of taxable temporary differences							
Borrowed funds	(11,462,184)	(8,724,330)	(6,602,954)	(26,789,468)	(20,107,792)	(3,606,511)	(50,503,771)
Premises and equipment and intangible assets	(425,458)	(62,766)	-	(488,224)	(429,376)	-	(917,600)
Other assets	(2,154)	(130,881)	-	(133,035)	132,918	-	(117)
Deferred tax liabilities	(11,889,796)	(8,917,977)	(6,602,954)	(27,410,727)	(20,404,250)	(3,606,511)	(51,421,488)
Deferred tax liabilities (net)	(10,515,406)	1,247,214	(6,602,954)	(15,871,146)	1,152,767	(3,606,511)	(18,324,890)

The Bank expects recovery and repayment of deferred tax assets and liabilities in the amount of Tenge 432,290 thousand during not more than twelve months after the end of the reporting period and Tenge 18,757,180 thousand upon expiry of more than twelve months after the end of the reporting period.

23 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank’s lending and other transactions with counterparties giving rise to financial assets.

The Bank’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For commitments to provide loans, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 27. The credit risk is mitigated by collateral and other credit enhancements.

Credit risk management. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The Bank assesses credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”), and Loss Given Default (“LGD”).

23 Financial Risk Management (Continued)

Limits. The Bank structures the levels of credit risk by placing limits, but not limited to the following limits: limits on the aggregate amount of lending to one borrower, on products, on quality of collateral, on authority of the Credit Committee of the Bank's branches, on authority of the Credit Committee of the “Decision Making Centre” of the Bank (the “DMC”), on volume of loans guaranteed by an individual, maximum rate of non-performing loans in the loan portfolio.

In accordance with internal documents, limits are approved by Credit Committee of the Bank/Management Board of the Bank/Board of Directors of the Bank and are reviewed at least once a year.

The Bank established a number of collective bodies for the purposes of implementing internal credit policy and making any credit decisions:

- Bank Credit Committee is a regular collegial body at the Central Office of the Bank with the main objectives of realization of the Bank's internal credit policy and making any credit decisions on lending of Bank's customers;
- Branch Credit Committee branch is a regular collegial body at the branch of the Bank with the main objective of implementation of the Bank's credit policy and making any credit decisions on lending of Bank's customers within the established limits.
- DMC Credit Committee is a regular collegial body at the Central Office of the Bank implementing internal credit policy of the Bank, the main objective of which is to make decisions on applications of Bank clients and ensure post-credit servicing of loans within banking software developed for the business processes on provision of bank services.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. *Probability of Default (PD)* is an estimate of the likelihood of default to occur over a given time period. *Loss Given Default (LGD)* is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime* period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected repayments, if any.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward-looking information*, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired (“POCI”) financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

23 Financial Risk Management (Continued)

ECL measurement for loans

For the ECL measurement, the Bank uses assessment on an individual basis and on a portfolio basis (homogenous loans):

- **individual loan** is a loan meeting one/several of the following criteria: carrying amount of loan as of the reporting date exceeds 0.2% of equity according to the financial statement as of the end of the reporting year, but not less than Tenge 50 (fifty) million; loan represents claim to related party;
- **homogenous loans** are a group of loans with similar characteristics of credit risk;

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

In assessing credit risk, the Bank groups loan portfolio into 5 pools:

1. interim loans;
2. preliminary loans;
3. housing loans;
4. housing (interim) loans: housing loan classified in past as interim loan.
5. housing (preliminary) loans: housing loan classified in past as preliminary loan.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. In assessing financial assets for impairment, the Bank applies a three-stage model of impairment accounting. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

23 Financial Risk Management (Continued)

For purposes of measuring PD, the Bank defines default as a situation when the exposure meets one or more of the following criteria:

- more than 90 calendar days past due payments or the Bank expects that the borrower is not able to repay debts to the Bank in full without any special terms.
- suspension of accrual for loan interest due to the borrower’s financial status worsening, borrower’s death, unavailability of a co-borrower on loan;
- writing-off of the borrower’s debt amount in part and/or in full due to significant increase in credit risk from the loan provision date;
- the borrower refuses to perform obligations under the loan due to bad faith (fraud);
- restructuring due to the borrower’s financial status worsening (upon the recommendation of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market based on the results of the audit of the activities of the Bank, amendments were made to the Methodology for calculating provisions (reserves) of the Bank in terms of reflecting construction-in-progress/delayed completion of construction activities as one of the indication of a significant deterioration in the financial condition of the borrower);
- filing a borrower bankruptcy application in accordance with the legislation of the Republic of Kazakhstan;
- the borrower files a bankruptcy application in accordance with the legislation of the Republic of Kazakhstan.

For purposes of disclosure, the Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to loans.

In October 2020, the amount of the Stage 3 loan portfolio increased by 97.36% or by Tenge 4,455 million, provisions increased by Tenge 3,169 million. The main reason for the increase in Stage 3 is an increase in the portfolio of restructured loans (in line with the decision of the Management Board No. 114 dated 1 October 2020, 261 borrowers of the “Bagystan” residential real estate were offered a restructuring process (taking into account the loans restructured in 2019) due to the ongoing construction of “Bagystan” residential real estate.

According to the results of the inclusion in the statistics of the vintage analysis of defaults on the restructuring provided, including the borrowers of the “Bagystan” residential real estate, the Bank assumes that the potential effect on the increase in the provision amount would be about Tenge 898 - 2,000 million at 31 December 2020. Given the lack of technical capability to calculate a more accurate impact on the level of provisions in the Bank ABIS, the Bank applied an expert approach using the extrapolation method. Currently, work is underway to finalise the vintage analysis reports on the vendor's side, which are used to calculate the parameters of credit risk. The scheduled implementation period in the Bank ABIS is Q 1-2 2021.

At to the borrowers who have been granted deferred payment related to COVID-19 pandemic, portfolio quality is acceptable. The NPL level (90+) for them was 0.26% of the total COVID-19 portfolio, which did not have a substantial impact on the level of created provisions.

A loan is considered to no longer be in default when a default is cured and/or after more than 12 months from the restructuring action initiation. A credit impaired financial asset is transferred to Stage 2 subject to the borrower’s repayment of debt, which leads to the decrease in the carrying amount of a financial asset as of creation of provisions till the level equal or below debt amount as of the moment of financial asset transition to the category of credit impaired financial assets or if as of the assessment date there are no events objectively confirming impairment based on impairment indicators of a financial asset.

The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

Significant increase in credit risk (SICR). The Bank identifies a SICR based on three-factor analysis: backstop indicator – over 30 days past due, qualitative and quantitative analysis.

Quantitative analysis. In identifying SICR since initial recognition, the Bank applies relative approach based on calculation of the weighted average probability of default (APD) from the reporting date till the end of maturity.

23 Financial Risk Management (Continued)

The Bank uses the following qualitative criteria:

- multiple overdue for the last 12 months;
- loans, which were subject to restructuring. Such loans will remain in Stage 2 for 3 months from the date of transfer from Stage 3;
- loans, which were subject to payment request-orders;
- loans, for which there was a decrease in the market cost of real estate property upon revaluation results by 40% and more.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Bank uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as developing lifetime PD curves based on the historical default data.

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of loan portfolio.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Risk parameters are predictable, i.e. include the impact of expected economic conditions of the following macro-economic factors: inflation rate, average monthly salary, unemployment rate, GDP. The Bank does not forecast future macro-economic conditions during the loan lifetime. The extent of judgment required for ECL measurement depends on the availability of relevant information. As forecast period increases, the availability of detailed information decreases and relevance of judgment for ECL measurement increases. Therefore, the Bank uses in its calculation the impact of forward-looking macro-economic factors only for the period of not more than three years, after which the linear extrapolation of data to units is applied. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank also provides other possible scenarios along with scenario weightings. The Bank determines scenario weightings in equal proportions at least annually or when conditions significantly change compared to previous assumptions.

ECL measurement for other financial assets

ECL measurement for other financial assets includes further assessments of PD, corresponding loss coefficients and default ratios between counterparties. The Bank assesses credit risk using PD, EAD and LGD.

23 Financial Risk Management (Continued)

In calculating PD, migration matrix based on external data is applied. The Bank uses data provided by Moody’s credit agency as detailed information. If such information is unavailable, data provided by Standard and Poor’s or Fitch agencies is used. Migration matrix represents the probability of changes in credit rating during a definite period of time.

For the purposes of calculating provisions, the Bank disaggregates financial assets by state, corporate and financial institutions. For each category, the Bank uses individual migration matrix based on Moody’s data, or data provided by Standard and Poor’s or Fitch.

Default on interbank deposits, securities, correspondent accounts and REPO transactions is an event of non-performance by a counterparty of obligations towards the Bank

Obtained MPD result is applied as probability of default in calculating ECLs. Minimum default level cannot be lower than 0.03% set by Basel Committee.

If the official credit rating of a counterparty does not reflect the last counterparty-related information that in its turn increases credit risk, the Bank based on expert opinion decreases counterparty’s credit rating. In such cases, maximum rating decrease by the Bank will be between 2 ratings with a possibility of using interim values of default probability proportionally between the official credit rating of a counterparty and its lower border. In making such a decrease, the Bank considers rating of other counterparties operating in this sector as an additional factor.

LGD measurement. LGD varies in time depending on payments and cost of collateral. Key elements of LGD coefficient are as follows:

- Time aspect (division of EAD parameter by secured and unsecured portions) and
- Changes in the cost of collateral over time (in the event of such pledges as real estate property, cost can remain unchanged)

If there is no collateral on a financial instrument and sufficient historical default data, the Bank applies expert assessment. Depending on circumstances and data integrity as of the reporting date, the Bank applies one of the following approaches to measure LGD ratio on a stage-by-stage basis:

- a) Historical data. This approach is based on historical data of defaults and based on historical level of loss recovery by applying an expert judgment. In the event of unavailability of historical data and non-representativeness of statistical data on recovered funds and/or investments, the Bank applies an approach described in Clause b).
- b) Approach based on historical data from external sources such as Moody's, Standard & Poor's, or Fitch rating agencies that provide data on recovery rate based on databases for similar portfolios. LGD is based on data available as of the reporting date. If no data is available, the Bank applies an approach described in Clause c).
- c) IRB-Foundation approach defined by the Basel Committee on Banking Supervision, within which a minimum LGD value for subordinated debts is assigned in the amount of 75%, and for other instruments – in the amount of 45%.

EAD measurement. The Bank calculates EAD as of future reporting date by the end of contractual maturity at each reporting date using the following:

- Contractual maturity;
- Contractual debt repayment schedule.

At the end of each month between the reporting date and maturity of a financial asset, the expected EAD is calculated based on contractual schedule. The Bank assumes that current EAD will be repaid proportionally to planned contractual payments as follows:

EAD at reporting date = Principal Debt + Accrued interest + Unamortised amount of premium/discount

EAD at future reporting date = Principal Debt + Accrued Interest + Unamortised amount of premium/discount – contractual payments according to schedule.

Significant increase in credit rating. In assessing securities (including REPO transactions) and receivables for impairment, the Bank uses a three-stage model of impairment accounting.

23 Financial Risk Management (Continued)

Financial assets as of recognition date are included in Stage 1, except for credit impaired assets that are classified into Stage 3.

As of the reporting period, the Bank assesses significant increase in credit risk on each financial asset. If credit risk increases, the Bank transfers an asset to the next Stage. The Bank identifies significant increase in credit risk based on three-factor analysis:

- Quantitative analysis. Comparison of PD ratio as of the reporting date to PD ratio as of the asset recognition date;
- Qualitative analysis.
- Backstop indicator. The over 30 days overdue is considered as an indicator for the transfer to Stage 2, and the over 90 days overdue is considered as an indicator for the transfer to Stage 3.

Market risk. The Bank is exposed to market risk arising from open positions in (a) currency, (b) interest and (c) equity instruments, which are exposed to general and specific market movements. Management sets limits on the level of accepted risk is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of a significant change in the market.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

In 2020 the Bank did not conduct foreign exchange transactions except for the purchase of foreign currency for fulfilment of liabilities under the administrative and economic contracts. As at 31 December 2020, the Bank did not have a portfolio of financial instruments denominated in foreign currency or the value of which depends on the foreign exchange rate. As at 31 December 2020, the Bank has correspondent accounts in other banks denominated in foreign currencies.

The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting date:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020			31 December 2019		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
US Dollars	350,090	-	350,090	225,246	-	225,246
Euros	22,485	-	22,485	108,179	-	108,179
Russian rubles	2,525	-	2,525	608	-	608
Total	375,100	-	375,100	334,033	-	334,033

The above analysis includes only monetary assets and liabilities.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020		31 December 2019	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 20%	70,018	70,018	45,049	45,049
US Dollar weakening by 20%	(70,018)	(70,018)	(45,049)	(45,049)
Euro strengthening by 20%	4,497	4,497	21,636	21,636
Euro weakening by 20%	(4,497)	(4,497)	(21,636)	(21,636)
Total	-	-	-	-

23 Financial Risk Management (Continued)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank’s exposure to interest rate risks. The table presents the aggregated amounts of the Bank’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates. As of 31 December 2020, the Bank has government investment securities for the amount of Tenge 231,989,386 thousand (2019: Tenge 202,022,588 thousand).

<i>(in thousands of Kazakhstani Tenge)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2020					
Total financial assets	145,143,135	79,039,963	26,981,398	1,445,203,992	1,696,368,488
Total financial liabilities	82,756,783	136,655,227	151,284,254	911,812,176	1,282,508,440
Net interest sensitivity gap at 31 December 2020	62,386,352	(57,615,264)	(124,302,856)	533,391,816	413,860,048
31 December 2019					
Total financial assets	146,118,679	71,428,055	28,581,040	1,097,305,822	1,343,433,596
Total financial liabilities	104,408,784	121,496,117	93,951,152	770,619,641	1,090,475,694
Net interest sensitivity gap at 31 December 2019	41,709,895	(50,068,062)	(65,370,112)	326,686,181	252,957,902

As of 31 December 2020, the net gap for periods of up to 6 months and up to 12 months arose due to the availability of deposits for periods of Tenge 137 billion (up to 6 months) and Tenge 139 billion (up to 12 months).

As of 31 December 2020, and 31 December 2019 assets with floating exchange rate are absent. The Bank monitors interest rates for its financial instruments. All financial instruments are denominated in Kazakhstani Tenge, except for correspondent accounts in other banks denominated in foreign currency.

23 Financial Risk Management (Continued)

The table below summarises average effective interest rates (EIR) at 31 December 2020 and 31 December 2019:

<i>(in % p.a.)</i>	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	8.17%	8.32%
Debt securities at FVOCI	8.39%	8.17%
Debt securities at AC	9.46%	9.48%
Loans and advances to customers	6.82%	7.01%
Liabilities		
Customer accounts	1.96%	1.93%
Corporate clients funds	7.00%	7.75%
Borrowed funds from the Government of RK	9.83%	5.44%
Borrowings from Samruk-Kazyna	4.72%	4.72%
Borrowings from NMH Baiterek	7.97%	7.97%
Borrowings from Administration of Almaty	11.58%	4.19%
Other borrowings	11.43%	-
Bonds in issue	11.87%	9.76%

Other price risk. In 2020 the Bank did not conduct operations with equity shares. There were no active operations and transactions that would indicate potential decrease in value.

The Bank is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Bank’s current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortized cost and the prepayment right is at, or close to, the amortized cost of the loans and advances to customers (2019: no material impact).

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23 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Bank’s financial assets and liabilities at 31 December 2020 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	138,257,892	-		138,257,892
Cash balances with financial institutions	17,000	-		17,000
Loans and advances to customers	1,319,668,636	12,489		1,319,681,125
Investments in debt securities	215,101,808	-	17,108,644	232,210,452
Investments in equity securities	1,747	-	-	1,747
Other financial assets	5,417,469	-	-	5,417,469
Total financial assets	1,678,464,552	12,489	17,108,644	1,695,585,685
Financial liabilities				
Customer accounts	1,097,640,563	7,572	11,160	1,097,659,295
Borrowed funds	67,614,055	-		67,614,055
Debt securities in issue	113,680,020	-		113,680,020
Other financial liabilities	3,562,432	224	412	3,563,068
Total financial liabilities	1,282,497,070	7,796	11,572	1,282,516,438
Net position in on-balance sheet financial instruments	395,967,482	4,693	17,097,072	413,069,247
Credit related commitments	30,694,775	-		30,694,775

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

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23 Financial Risk Management (Continued)

The geographical concentration of the Bank’s financial assets and liabilities at 31 December 2019 is set out below (restated):

<i>(in thousands of Kazakhstani Tenge)</i>	Kazakhstan	Russia	Other countries	Total
Financial assets				
Cash and cash equivalents	151,024,879	-	-	151,024,879
Loans and advances to customers	980,377,516	16,650	-	980,394,166
Investments in debt securities	179,515,222	14,436,374	2,135,988	196,087,584
Investments in equity securities	5,214	-	-	5,214
Other financial assets	2,979,171	-	-	2,979,171
Total financial assets	1,313,902,002	14,453,024	2,135,988	1,330,491,014
Financial liabilities				
Customer accounts	902,009,405	12,046	1,954	902,023,405
Borrowed funds	59,157,994	-	-	59,157,994
Debt securities in issue	78,650,059	-	-	78,650,059
Other financial liabilities	4,174,932	169	366	4,175,467
Total financial liabilities	1,043,992,390	12,215	2,320	1,044,006,925
Net position in on-balance sheet financial instruments	269,909,612	14,440,809	2,133,668	286,484,089
Credit related commitments	26,241,764	-	-	26,241,764

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets (Note 9). The Bank did not have any such significant risk concentrations at 31 December 2020 and 31 December 2019.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of funds received from the Government and deposits (housing construction savings of individuals). The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

23 Financial Risk Management (Continued)

The liquidity management of the Bank requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the National Bank of the Republic of Kazakhstan. These ratios include:

- Current liquidity coefficient (k4), which is calculated as the average monthly value of highly liquid assets of the Bank to the average monthly value of demand liabilities considering accrued interest. At 31 December 2020 this coefficient was 3.381 (2019: 2.207);
- Acid-test coefficient (k4-1), which is calculated as the average monthly value of highly liquid assets to the average monthly value of term liabilities with remaining maturity of up to seven days inclusive. At 31 December 2020 this coefficient was 76.716 (2019: 159.440);
- Acid-test coefficient (k4-2), which is calculated as the average monthly value of liquid assets with remaining maturity of up to one month (inclusive), including highly liquid assets, to the average monthly value of term liabilities with the remaining maturity of up to one month inclusive. At 31 December 2020 this coefficient was 22.446 (2019: 46.344);
- Acid-test coefficient (k4-3), which is calculated as the average monthly value of liquid assets with remaining maturity of up to three months (inclusive), including highly liquid assets, to the average monthly value of term liabilities with remaining maturity of up to three months inclusive. At 31 December 2020 this coefficient was 8.912 (2019: 19.986).

The Treasury Department provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The Bank monitors the daily liquidity position and regularly conducts liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows on financial liabilities and financial assets differ from the amounts included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

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23 Financial Risk Management (Continued)

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial instruments at 31 December 2020 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	169,165,863	10,868,981	-	-	-	180,034,844
Loans and advances to customers	184,852	4,604,534	11,051,213	376,917,069	1,636,890,317	2,029,647,985
Investment securities at FVOCI	2,070,404	23,301,486	16,433,041	71,754,480	14,056,969	127,616,381
Investment securities at AC	-	40,834,027	-	11,011,432	43,497,726	95,343,185
Other financial assets	5,417,469	-	-	-	-	5,417,469
Total assets	176,838,588	79,609,028	27,484,254	459,682,981	1,694,445,012	2,438,059,864
Liabilities						
Borrowed funds	5,007,903	47,264	10,235,312	13,505,624	237,345,220	266,141,323
Bonds in issue	-	-	2,513,058	-	325,080,405	327,593,463
Customer accounts	74,221,982	137,678,992	141,067,860	242,557,460	641,563,917	1,237,090,211
Other financial liabilities	3,555,070	-	-	-	-	3,555,070
Total potential future payments for financial liabilities	82,784,955	137,726,256	153,816,230	256,063,084	1,203,989,542	1,834,380,067
Contingent liabilities						
Irrevocable loan commitments	3,069,478	15,347,387	12,277,910	-	-	30,694,775

The total outstanding contractual amount of commitments to extend loans as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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23 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2019 is as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	136,457,403	31,007,598	-	-	-	167,465,001
Loans and advances to customers	45,299	1,797,666	7,629,555	335,668,812	1,079,082,739	1,424,224,071
Investment securities at FVOCI	6,639,856	16,357,838	11,081,039	106,380,323	15,590,377	156,049,433
Investment securities at AC		23,860,766	11,633,865	19,738,548	-	55,233,179
Other financial assets	2,979,171	-	-	-	-	2,979,171
Total assets	146,121,729	73,023,868	30,344,459	461,787,683	1,094,673,116	1,805,950,855
Liabilities						
Borrowed funds	-	46,710	1	28,043,656	168,883,029	196,973,396
Bonds in issue	-	-	960,715	-	168,504,525	169,465,240
Customer accounts	100,237,894	122,480,923	94,430,132	266,964,316	399,885,466	983,998,731
Other financial liabilities	4,175,467	-	-	-	-	4,175,467
Total potential future payments for financial obligations	104,413,361	122,527,633	95,390,848	295,007,972	737,273,020	1,354,612,834
Contingent liabilities						
Irrevocable loan commitments	2,624,176	13,120,882	10,496,706	-	-	26,241,764

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23 Financial Risk Management (Continued)

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities and the resulting expected liquidity gap as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2020						
Financial assets	303,606,962	20,759,640	22,941,841	352,125,055	996,917,991	1,696,351,489
Financial liabilities	82,756,783	136,655,227	151,284,254	241,898,298	669,913,878	1,282,508,440
Net liquidity gap based on expected maturities	220,850,179	(115,895,587)	(128,342,413)	110,226,757	327,004,113	413,843,049
Accumulated liquidity gap based on expected maturities	220,850,179	104,954,592	(23,387,821)	86,838,936	413,843,049	-
At 31 December 2019						
Financial assets	280,020,257	36,144,469	11,766,171	304,396,919	711,105,781	1,343,433,597
Financial liabilities	104,408,784	121,496,117	93,951,152	279,041,825	491,577,816	1,090,475,694
Net liquidity gap based on expected maturities	175,611,473	(85,351,648)	(82,184,981)	25,355,094	219,527,965	252,957,903
Accumulated liquidity gap based on expected maturities	175,611,473	90,259,825	8,074,844	33,429,938	252,957,903	-

The net gap for periods of up to 6 months and up to 12 months arose due to the availability of deposits for periods of Tenge 137 billion (up to 6 months) and Tenge 139 billion (up to 12 months).

The entire portfolio of trading securities is classified as "On demand and less than one month" in accordance with the assessment of the liquidity management of the portfolio.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

24 Capital Management

The Bank's capital management has the following objectives: (i) compliance with the capital requirements set by the National Bank of the Republic of Kazakhstan; (ii) ensuring the Bank's ability to maintain the continuity of operations; and (iii) maintain capital base at the level required to ensure that the capital adequacy ratio. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shares' value.

Capital adequacy ratio established by the competent authority. From 1 January 2018, the National Bank of Republic of Kazakhstan requires the Bank to maintain capital adequacy ratio k 1 at a rate 5.5%, k 1-2 at rate of 6.5% and k 2 at 8% of the assets, contingent liabilities, potential claims and liabilities and operational risks in accordance with the regulations established by NBRK.

24 Capital Management (Continued)

Capital adequacy ratios calculations in accordance with the regulations established by the NBRK:

- Primary capital adequacy ratio k1 is calculated as main capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk;
- Tier 1 capital adequacy ratio k1-2 is calculated as tier 1 capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk;
- Capital adequacy ratio k2 is calculated as own capital to the risk-weighted assets, contingent liabilities, potential claims and liabilities and the operational risk.

As of 31 December 2020, and 31 December 2019, the Bank’s capital adequacy ratio on this basis exceeded the statutory minimum.

As of 31 December 2020, and 31 December 2019, the Bank’s capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019
Tier 1 capital	276,787,999	240,349,519
Tier 2 capital	-	-
Total regulatory capital	276,787,999	240,349,519
Risk-weighted assets and contingent liabilities, potential claims and liabilities	727,072,554	577,011,945
Operational risk	31,972,978	28,241,387
Capital adequacy ratio k1	36,50%	39,70%
Capital adequacy ratio k1-2	36,50%	39,70%
Capital adequacy ratio k2	36,50%	39,70%

25 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The Bank’s CODM is the Management Board. For the purpose of operating decisions and distribution of resources, the Management Board uses IFRS financial information.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organized on the basis of two main business segments: mortgage/retail banking that includes housing loans, deposits and individual customer accounts; and investment banking represented by cash and cash equivalents, securities and due from other banks.

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25 Segment Analysis (Continued)

(b) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/Retail banking	Investment banking	Total
Cash and cash equivalents	7	-	138,257,892	138,257,892
Cash balances with financial institutions		-	17,000	17,000
Loans and advances to customers	9	1,319,681,125	-	1,319,681,125
Investments in debt securities	8	-	232,210,452	232,210,452
Investments in equity securities	8	-	1,747	1,747
Total assets of operating segments		1,319,681,125	370,487,091	1,690,168,216
Customer accounts	12	1,097,659,295	-	1,097,659,295
Borrowed funds	13	67,614,055	-	67,614,055
Debt securities in issue	15	113,680,020	-	113,680,020
Government grants	16	121,753,860	-	121,753,860
Other financial liabilities	14	3,563,068	-	3,563,068
Total liabilities of operating segments		1,404,270,298	-	1,404,270,298
Capital expenditures		-	(1,676,391)	(1,676,391)

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25 Segment Analysis (Continued)

Capital expenditures represent acquisition of property and equipment.

<i>(in thousands of Kazakhstani Tenge)</i>	Mortgage/Retail banking	Investment banking	Total
2020:			
Segment revenues			
Interest income on loans to customer	77,794,558	-	77,794,558
Income from government grants	16,660,494	-	16,660,494
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other banks	-	33,639,096	33,639,096
Interest expense on customer accounts	(21,830,987)	-	(21,830,987)
Interest expense on bonds in issue	(9,426,881)	-	(9,426,881)
Interest expense on borrowed funds	(4,586,929)	-	(4,586,929)
Interest expense on other financial liabilities	(39,818)	-	(39,818)
Net interest income	58,570,437	33,639,096	92,209,533
Credit loss allowance	(5,323,208)	(206,456)	(5,529,664)
Net interest income after credit loss allowance			
Fee and commission income	1,538,353	-	1,538,353
Fee and commission expense	(6,510,600)	(126,632)	(6,637,232)
Losses on initial recognition of assets at rates below market	(22,895,729)	-	(22,895,729)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition	(5,754,051)	-	(5,754,051)
Gains less losses from trading securities	-	205,853	205,853
Other expenses	(1,558,049)	55,860	(1,502,189)
Administrative expenses	-	(18,688,055)	(18,688,055)
Segment results	18,067,153	14,879,666	32,946,819

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25 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2019 (restated) is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage/Retail banking	Investment banking	Total
Cash and cash equivalents	7	-	151,024,879	151,024,879
Loans and advances to customers	9	980,394,166	-	980,394,166
Investments in debt securities	8	-	196,087,584	196,087,584
Investments in equity securities		-	5,214	5,214
Total assets of operating segments		980,394,166	347,117,677	1,327,511,843
Customer accounts	12	902,023,405	-	902,023,405
Borrowed funds	13	59,157,994	-	59,157,994
Debt securities in issue	15	78,650,059	-	78,650,059
Government grant		33,893,322	-	33,893,322
Other liabilities	14	4,175,467	-	4,175,467
Total liabilities of operating segments		1,077,900,247	-	1,077,900,247
Capital expenditures		-	(1,273,166)	(1,273,166)

Segment information for the reportable segments for the year ended 31 December 2019 (restated) is set out below:

<i>(in thousands of Kazakhstani Tenge)</i>	Mortgage/Retail banking	Investment banking	Total
2019:			
Segment revenues			
Interest income on loans to customer	58,072,146	-	58,072,146
Income from government grant	12,820,385	-	12,820,385
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other banks	-	26,646,258	26,646,258
Interest expense on customer accounts	(18,046,930)	-	(18,046,930)
Interest expense on bonds in issue	(6,458,173)	-	(6,458,173)
Interest expense on borrowed funds	(3,568,056)	-	(3,568,056)
Interest expense on other financial liabilities	(65,229)	-	(65,229)
Net interest income	42,754,143	26,646,258	69,400,401
Credit loss allowance	(447,397)	100,706	(346,691)
Net interest income after credit loss allowance			
Fee and commission income	1,274,895	-	1,274,895
Fee and commission expense	(4,971,535)	(91,435)	(5,062,970)
Losses on initial recognition of assets at rates below market	(18,386,156)	-	(18,386,156)
Gains less losses from trading securities	-	8,021	8,021
Other expenses	(1,311,361)	(90)	(1,311,451)
Administrative expenses	-	(17,114,060)	(17,114,060)
Segment results	18,912,589	9,549,400	28,461,989

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25 Segment Analysis (Continued)

(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019 (restated)
Total assets of operating segments	1,690,168,216	1,327,511,843
Property, plant and equipment, and right-of-use assets	5,462,232	5,256,199
Intangible assets	5,684,660	3,874,218
Other assets	5,881,507	3,489,216
Non-current assets held for sale	191,476	199,399
Total assets	1,707,388,091	1,340,330,875
Total liabilities of operating segments	1,404,270,298	1,077,900,247
Deferred tax liabilities	18,324,890	15,871,146
Other liabilities	2,009,583	2,152,659
Total liabilities	1,424,604,771	1,095,924,052
<i>(in thousands of Kazakhstani Tenge)</i>	2020	2019
Segment results	32,946,819	28,461,989
Other income	68,188	130,159
Profit before tax	33,015,007	28,592,148
Income tax expense	(1,230,924)	(1,245,133)
Profit for the period	31,784,083	27,347,015

The Bank generates its revenues in Kazakhstan. The Bank does not have major external customers abroad. The Bank does not have significant income or expense between operating segments. The Bank does not have clients which would represent at least ten percent of total revenues for 2020 (2019: no clients).

26 Fair Value Disclosures

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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26 Fair Value Disclosures (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the statement of financial position at the end of each reporting period. The levels in the fair value hierarchy, into which the recurring fair value measurements are categorized, are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020		31 December 2019	
	Level 2	Total	Level 2	Total
Assets measured at fair value				
Financial assets				
Investments in debt securities				
- Treasury bonds of the Ministry Finance of the Republic of Kazakhstan	76,552,775	76,552,775	90,542,313	90,542,313
- Corporate bonds	13,612,634	13,612,634	8,786,866	8,786,866
- Bonds issued by international financial organizations	17,108,644	17,108,644	16,572,362	16,572,362
- Bonds of Kazakhstani non-banking financial institutions	20,107,305	20,107,305	14,693,192	14,693,192
Investments in equity securities				
- Ordinary and preferred shares of the second-tier banks of the Republic of Kazakhstan	1,747	1,747	5,214	5,214
Total assets recurring fair value measurements	127,383,105	127,383,105	130,599,947	130,599,947

The fair value of investment securities was assessed using the rates of Kazakhstan Stock Exchange JSC. Due to insignificant trade volumes of similar instruments, these investment securities are defined at Level 2.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and the carrying value of assets not measured at fair value are as follows at 31 December 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020			31 December 2019 (restated)		
	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value
Financial assets						
Cash and cash equivalents	125,104,465	-	125,104,465	131,437,175	-	131,437,175
Loans and advances to customers	1,319,681,125	-	1,319,681,125	980,394,166	-	980,394,166
Investment securities at AC	104,829,094	-	104,829,094	65,492,851	-	65,492,851
Other financial assets	-	5,417,469	5,417,469	-	2,979,171	2,979,171
Total	1,549,614,684	5,417,469	1,555,032,153	1,177,324,192	2,979,171	1,180,303,363

26 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of liabilities not measured at fair value are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020			31 December 2019 (restated)		
	Level 2 Fair Value	Level 3 Fair Value	Carrying value	Level 2 Fair Value	Level 3 Fair Value	Carrying value
FINANCIAL LIABILITIES						
Customer accounts	1,097,659,295	-	1,097,659,295	902,023,405	-	902,023,405
Borrowed funds	53,410,720	-	67,614,055	59,919,173	-	59,157,994
Debt securities in issue	113,264,450	-	113,680,020	85,683,845	-	78,650,059
Other financial liabilities	-	3,563,068	3,563,068	-	4,175,467	4,175,467
TOTAL	1,264,334,465	3,563,068	1,282,516,438	1,047,626,423	4,175,467	1,044,006,925

Cash and cash equivalents. Cash is measured at amortised cost and classified at Level 2. The fair value of these funds is equal to their carrying amount.

Loans and advances to customers and customer accounts. Estimated fair value of all loans and advances to customers/customer accounts approximates their carrying amount since interest rates have not changed since origination. These loans are classified by the Bank’s management as Level 2 in the fair value hierarchy.

Investment securities carried at amortised cost. Due to the inactivity of trading at the KASE secondary market, investment securities carried at amortized cost are classified at Level 2.

Due from other banks and borrowed funds. Estimated fair value of due from other banks is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturities. The estimated fair value of borrowed funds is based on the expected future cash flows calculated using the yield curve for government bonds.

27 Contingencies and Commitments

Legal proceedings. the ordinary course of business, the Bank 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 condition or the results of future operations of the Bank.

Tax legislation. The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Non-compliance with Kazakhstani law and regulations as interpreted by the Kazakhstani authorities may lead to the assessment of additional taxes, penalties and interest.

Kazakhstani tax legislation and practice are in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In certain situations, to determine a tax base, the tax legislation refers to IFRS provisions. In such cases, interpretation of IFRS provisions by the Kazakhstani tax authorities may differ from accounting policies, judgments and estimates used by management for preparation of these financial statements, and this may result in additional tax liabilities for the Bank. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years.

The Bank management believes that its interpretation of the relevant legislation is appropriate and the Bank’s tax positions will be sustained.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

27 Contingencies and Commitments (Continued)

The Bank’s contingent liabilities are contingencies on provision of a housing loan in the amount stipulated by the housing construction savings contract, which arise on achievement of the estimated value on deposit attracted, accumulation period of not less than 3 years, provision by depositor of relevant collateral for a housing loan, confirmation of borrower’s solvency to repay housing loan. Contingent liability is written off from memorandum accounts, when housing loan is granted or depositor refuses to obtain housing loan. Housing loan is granted only after application underwriting and decision-making procedure by the Competent Authority. Therefore, these contingent liabilities do not result in any credit risks for the Bank. As at 31 December 2020 and 2019 there was no need to create and the Bank did not create provisions in these financial statements for any of the mentioned above contingent liabilities.

Credit related commitments. Agreement on loan commitments to open deposits at the National Bank of the Republic of Kazakhstan stipulates a condition for concluding a transaction with a T+ settlement date.

Agreement on loan commitments represent Bank’s contingent liability to provide loans to customers, when all conditions stipulated in the contract on housing construction savings will be achieved.

Financial and contingent liabilities of the Bank included:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2020	31 December 2019
Deposit commitments	37,000,000	40,000,000
Loan commitments	30,694,775	26,241,764
Financial and contingent liabilities	67,694,775	66,241,764

28 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments”, the Bank classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI, and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

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28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

<i>(in thousands of Kazakhstani Tenge)</i>	Debt instru- ments at FVOCI	Equity instru- ments at FVOCI	AC	Total
ASSETS				
Cash and cash equivalents	-	-	61,662,263	61,662,263
Loans and advances to customers:				
- Interim housing loans	-	-	478,709,116	478,709,116
- Housing loans	-	-	363,730,737	363,730,737
- Preliminary housing loans	-	-	477,241,272	477,241,272
Investments in debt securities				
- Government securities of the Ministry of Finance of RK	76,552,775	-	50,202,778	126,755,553
- Corporate bonds	13,612,634	-	11,054,744	24,667,378
- Bonds issued by international financial organizations	17,108,644	-	-	17,108,644
- Bonds of Kazakhstani non-banking financial institutions	20,107,305	-	-	20,107,305
- Notes of the National Bank of RK	-	-	43,571,572	43,571,572
- Bonds of Kazakhstani banks	-	-	-	-
Investments in equity securities				
- Corporate shares	-	1,747	-	1,747
TOTAL FINANCIAL ASSETS	127,381,358	1,747	1,486,172,482	1,613,555,587

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28 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2019 (restated):

<i>(in thousands of Kazakhstani Tenge)</i>	Debt instru- ments at FVOCI	Equity instru- ments at FVOCI	AC	Total
ASSETS				
<i>Cash and cash equivalents</i>	-	-	62,069,039	62,069,039
<i>Loans and advances to customers:</i>				
- Interim housing loans	-	-	365,130,290	365,130,290
- Housing loans	-	-	275,631,833	275,631,833
- Preliminary housing loans	-	-	339,632,043	339,632,043
<i>Investments in debt securities</i>				
- Government securities of the Ministry of Finance of RK	90,542,313	-	1,983,235	92,525,548
- Bonds of local executive bodies of RK	-	-	-	-
- Corporate bonds	8,786,866	-	16,081,613	24,868,479
- Bonds of Sovereign Welfare Fund Samruk Kazyna JSC	-	-	-	-
- Bonds issued by international financial organizations	16,572,362	-	-	16,572,362
- Bonds of Kazakhstani non-banking financial institutions	14,693,192	-	-	14,693,192
- Notes of the National Bank of RK	-	-	47,428,003	47,428,003
- Bonds of Kazakhstani banks	-	-	-	-
<i>Investments in equity securities</i>				
- Corporate shares	-	5,214	-	5,214
TOTAL FINANCIAL ASSETS	130,594,733	5,214	1,107,956,056	1,238,556,003

As of 31 December 2020, and 31 December 2019 all financial liabilities of the Bank were carried at amortized cost.

29 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

These financial statements disclose information about individually insignificant transactions and balances with the government and parties that are related to the entity because the Government has control, joint control or significant influence over such party.

The Bank purchases goods and services from a large number of enterprises with state participation. These purchases alone amount to insignificant amounts and are usually carried out on a commercial basis. The operations with the state also include taxes, which are disclosed in Note 22.

Other related parties include the Government, Government-controlled entities and other affiliated individuals.

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29 Related Party Transactions (Continued)

At 31 December 2020, the outstanding balances with related parties were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (effective rate 9.93%-10.07%)	-	-	-	132,953,753
Loans and advances to customers (contractual interest rate: 4%-9%)	-	-	101,116	197,930
Investments in debt securities (contractual interest rate: 3% – 11%)	16,117,838	7,593,252	-	191,390,719
Other financial assets	-	-	-	315
Other assets	-	50	-	196,015
Borrowing funds (contractual interest rate: 0.01-13.81%)	7,136,849	-	-	60,477,205
Debt securities in issue (9.58-10.27%)	91,814,988	-	-	17,437,295
Customer accounts (contractual interest rate: 2%-7.75 %)	-	40,270,779	67,721	164,411
Government grants	53,002,677	-	-	68,751,182
Other liabilities	-	1,649	-	793,169
Additional paid in capital	13,541,732	-	-	81,864,657

The income and expense items with related parties for 2020 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under common control	Key management personnel	Other related parties
Interest income	1,298,325	898,083	5,587	27,721,564
Interest expense	(7,888,357)	(4,572,700)	(776)	(5,650,909)
Fee and commission income	-	-	-	-
Provision for impairment	(2,543)	(141,407)	(245)	(86,999)
Net gains/(losses) from trading and investment operations	-	205,853	-	-
Government grants	4,744,348	-	-	11,916,146
Other income/(expense)	-	487	-	62,536
Administrative and other operating expenses	-	(20,189)	-	(1,242,839)
Income tax expense	-	-	-	(1,230,924)

Aggregate amounts lent to and repaid by related parties during 2020 were:

<i>(in thousands of Kazakhstani Tenge)</i>	Other related parties
Amounts lent to related parties during the period	134,495
Amounts repaid by related parties during the period	79,661

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29 Related Party Transactions (Continued)

At 31 December 2019, the outstanding balances with related parties were as follows: restated data

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under common control	Key management personnel	Other related parties
Cash and cash equivalents (effective rate 9.93%-10.07%)	-	-	-	81,322,628
Loans and advances to customers (contractual interest rate: 4%-10%)	-	-	229,473	242,654
Investments in debt securities (contractual interest rate: 3% – 11%)	16,081,613	10,502,634	-	152,930,975
Other financial assets	-	-	-	337
Other assets	-	2,000	-	175,326
Borrowed funds (contractual interest rate: 0.01-9.48%)	6,640,480	-	-	52,517,515
Debt securities in issue (9.58-10.27%)	57,730,697	-	-	17,436,287
Customer accounts (contractual interest rate: 2%-7.75 %)	-	74,893,303	90,743	166,900
Other liabilities	-	1,649	-	676,652
Additional paid in capital	13,541,732	-	-	67,438,612

The income and expense items with related parties for 2019 were as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under common control	Key management personnel	Other related parties
Interest income	842,160	702,095	11,692	22,992,447
Interest expense	(6,018,996)	(4,934,687)	(939)	(5,488,573)
Fee and commission income	-	-	-	-
Provision for impairment	(3,453)	87,388	(155)	25,081
Other income/(expense)	-	10,406	-	-
Administrative and other operating expenses	-	(20,155)	(27,932)	(1,179,423)
Income tax expense	-	-	-	(1,245,133)

Aggregate amounts lent to and repaid by related parties during 2019 were:

<i>(in thousands of Kazakhstani Tenge)</i>	Other related parties
Amounts lent to related parties during the period	189,972
Amounts repaid by related parties during the period	106,821

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29 Related Party Transactions (Continued)

Key management compensation is presented below:

<i>(in thousands of Kazakhstani Tenge)</i>	2020		2019	
	Expenses	Accrued liability	Expenses	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	251,362	-	237,776	-
- Short-term bonuses	20,943	-	23,440	-
- Benefits in-kind	2,476	-	2,355	-
- Long-term bonus scheme	72,699	72,699	88,657	88,657
Total	347,480	72,699	352,228	88,657

30 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to owners of the Parent by the number of ordinary shares in issue during the year. The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

<i>(in thousands of Kazakhstani Tenge except for number of shares)</i>	Note	2020	2019 (restated)
Profit for the year attributable to ordinary shareholders		31,784,083	27,347,015
Number of ordinary shares in issue (thousands)	16	7,830	7,830
Basic and diluted earnings per ordinary share (expressed in Tenge per share)		4,059	3,493

31 Events after the End of the Reporting Period

As of the date of the financial statements, in order to ensure smooth functioning, the Bank continues to serve customers on deposit and credit operations through a video service and preliminary booking of an e-queue ticket for servicing in the Bank's branches. The employees of the Headquarters and the branch are provided with the possibility to work through remote access to the VDI workplace.

The Bank has drawn up a Business Continuity Activity Plan related to the COVID-19 infection, which includes measures to ensure the continuity of operations and the safety of the Bank's staff. The Bank did not participate in or receive government grants/assistance related to COVID-19.

On 5 January 2021, the Bank received a license No. 1.2.97/46 dated 5 January 2021 for carrying out banking and other operations and activities in the securities market, issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market.

The list of operations has been amended by adding the right to carry out banking operation to open and service current bank accounts of individuals for crediting lump-sum pension contributions with a view to improve living conditions and (or) pay for medical treatment.

On 16 February 2021, funds of the ADB first tranche totalling Tenge 8.4 billion were received under the Loan Agreement No. 3841-KAZ dated 15 November 2019 to implement the “Mortgage for Women” program.

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Book value of one share at 1 January 2021 based on the statement of financial position for the year ended 31 December 2020.

This calculation of the book value of one share was made according to the Listing Rules (Annex 5.7 to Listing Rules) approved by Resolution of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes dated 27 April 2018 No.15).

The book value of one common share is calculated as follows:

$$BV_{CS} = NAV / NO_{CS}, \text{ where}$$

- BV_{CS} - (book value per common share) carrying amount per common share as of calculation date;
 NAV - (net asset value) net asset value for common shares as of calculation date;
 NO_{CS} - (number of outstanding common shares) number of outstanding common shares as of calculation date.

Net asset value for common shares is calculated as follows:

$$NAV = (TA - IA) - TL - PS, \text{ where}$$

- TA — (total assets) assets of a share issuer in the statement of financial position as of calculation date;
 IA — (intangible assets) intangible assets in the statement of financial position of a share issuer as of calculation date, which the entity cannot sell to third parties for recovering cash or cash equivalents paid and/or obtaining economic benefits;
 TL — (total liabilities) liabilities in the statement of financial position of a share issuer as of calculation date;
 PS — (preferred stock) balance of “equity, preference shares” item in the statement of financial position of a share issuer as of calculation date.

The table below summarises calculation of the book value of one common share as of the reporting date:

<i>(in thousands of Kazakhstani Tenge except for the number of shares)</i>	31 December 2020	31 December 2019 (restated)
Number of ordinary shares (thousands shares)	7,830	7,830
Total assets	1,707,388,091	1,340,330,875
Less intangible assets	5,684,660	3,874,218
Less liabilities	1,424,604,771	1,095,924,052
Total net assets	277,098,660	240,532,605
Book value of one common share, Tenge	35,389	30,719



Beysenbaev Miras Berikovich
 Acting Chairman of the Board

Kiltbayeva Zhanerke Almasbekovna
 Chief Accountant