



# **First Heartland Jusan Invest JSC**

Financial Statements  
for the year ended 31 December 2020

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## **Independent Auditors' Report**

To the Shareholder and the Board of Directors of First Heartland Jusan Invest JSC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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

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

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other matters***

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information to the financial statements related to the statements of net assets of mutual investment funds and changes in net assets of mutual investment funds under management of the Company, which are presented on pages 50 - 55, do not form part of the financial statements. Such supplementary information was prepared by management following the requirements of the Rules for Carrying Out the Investment Portfolio Management Activity, approved by the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No.10 dated 3 February 2014.



Our opinion on the financial statements does not cover the supplementary information and we do not express an opinion thereon.

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

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

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Results of an Examination Conducted in Accordance with the Requirements of the Law of the Republic of Kazakhstan dated 7 July 2004, No.576-II “On Investment and Venture Funds”**

We conducted procedures to examine whether the accounts maintenance records keeping procedures and preparation of the statements related to the mutual investment fund assets transferred (accepted) under the Company’s investment management, which are listed in the Supplementary Information to the Financial Statements section (the “Funds”), comply with the requirements of the legislation of the Republic of Kazakhstan.

The examination was limited to such procedures selected on the basis of our judgments as inquiries, analysis, review of documents related to the assets making up the Funds, and benchmarking thereof against the requirements set by the legislation of the Republic of Kazakhstan on mutual investment funds.

As a result of our procedures the following has been established:

- 1) in accordance with the requirements set by the legislation of the Republic of Kazakhstan on mutual investment funds, assets making up each Fund were segregated from the Company’s own assets and separate off-balance sheet accounting records were kept for those assets during 2020;
- 2) during 2020 the Company reconciled, on a monthly basis, the data of its internal accounting system for each Fund for its compliance with the custodians’ data;
- 3) during 2020 the Company kept records of the documents related to operations of each Fund by maintaining the logs, which included data listed in clause 46 of the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 3 February 2014, No.10 “On Approval of the Rules for Carrying Out the Investment Portfolio Management Activity”;
- 4) the Company has signed the custodian contracts to account for and keep assets making up each of the Funds;
- 5) during 2020 the Company prepared, on a monthly basis, the statements of each Fund following the requirements set out in the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 28 January 2016, No. 41 “On Approval of the Rules of Submission of Financial Statements by Financial Organisations and Organisations Carrying out the Microfinance Activity”.



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

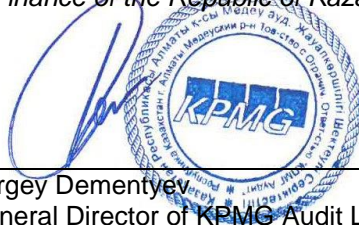
Sergey Mesheryakov  
Engagement Director



Sergey Dementyev  
Certified Auditor  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate  
# МФ-0000086 of 27 August 2012

**KPMG Audit LLC**

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



Sergey Dementyev  
General Director of KPMG Audit LLC  
acting on the basis of the Charter

16 March 2021




**First Heartland Jusan Invest JSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>'000 KZT</b>	<b>'000 KZT</b>
Fee and commission income	5	576,001	131,053
Fee and commission expenses	5	(190,060)	(29,568)
<b>Net fee and commission income</b>		<b>385,941</b>	<b>101,485</b>
Interest income calculated using the effective interest rate method	6	87,983	286,599
Other interest income	6	125,212	139,522
Interest expense	6	(46,157)	(1,085)
<b>Net interest income</b>		<b>167,038</b>	<b>425,036</b>
Dividend income	7	301,142	57,751
Net gain on financial instruments measured at fair value through profit or loss	8	337,670	185,960
Loss on initial recognition of financial instruments at a below-market rate	9	-	(149,605)
Net gain on financial instruments measured at fair value through other comprehensive income		46,908	1,165
Net foreign exchange gain on revaluation of financial assets and liabilities denominated in foreign currency		95,416	1,438
Other income/(expenses), net		10,690	(14,862)
(Charge)/reversal of impairment losses on debt financial assets	10	(26,999)	26,727
General and administrative expenses	11	(807,021)	(300,605)
<b>Profit before income tax</b>		<b>510,785</b>	<b>334,490</b>
Income tax benefit/(expense)	12	30,593	(807)
<b>Profit for the year</b>		<b>541,378</b>	<b>333,683</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Fair value reserve:			
- Net change in fair value		(13,681)	30,430
- Net amount transferred to profit or loss		27,926	(1,205)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>		<i>14,245</i>	<i>29,225</i>
<b>Other comprehensive income for the year, net of income tax</b>		<b>14,245</b>	<b>29,225</b>
<b>Total comprehensive income for the year</b>		<b>555,623</b>	<b>362,908</b>

These financial statements were approved by management on 15 March 2021 and were signed on its behalf by:

  
N. G. Aidossov  
Chairman of the Management Board  
First Heartland  
Jusan Invest

  
Sh. K. Kassymbayeva  
Chief Accountant

*First Heartland Jusan Invest JSC*  
Statement of Financial Position as at 31 December 2020

		<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>Note</b>	<b>‘000 KZT</b>	<b>‘000 KZT</b>
<b>ASSETS</b>			
Cash and cash equivalents	13	485,864	307,357
Placements with banks		-	100
Financial instruments measured at fair value through profit or loss:			
- Held by the Company	14	5,982,437	2,350,753
- Pledged under sale and repurchase agreements	14	2,209,981	-
Financial assets measured at fair value through other comprehensive income			
- Held by the Company	15	185,617	3,279,282
- Pledged under sale and repurchase agreements	15	193,856	-
Trade and other receivables		32,950	11,097
Dividends receivable		24,731	24,731
Investment property		44,776	46,364
Property, plant and equipment and intangible assets		65,763	44,971
Current tax asset		30,529	31,992
Deferred tax asset	12	22,118	-
Other assets		41,541	20,875
<b>Total assets</b>		<b>9,320,163</b>	<b>6,117,522</b>
<b>LIABILITIES</b>			
Accounts payable under repurchase agreements	16	2,411,172	-
Trade and other payables		263,110	18,606
Deferred tax liability	12	-	8,658
<b>Total liabilities</b>		<b>2,674,282</b>	<b>27,264</b>
<b>EQUITY</b>			
Share capital	17	3,000,000	3,000,000
Fair value reserve - financial assets measured at fair value through other comprehensive income		83,676	69,431
Revaluation reserve for investment property transferred from property, plant and equipment		21,120	21,120
Retained earnings		3,541,085	2,999,707
<b>Total equity</b>		<b>6,645,881</b>	<b>6,090,258</b>
<b>Total liabilities and equity</b>		<b>9,320,163</b>	<b>6,117,522</b>



*First Heartland Jusan Invest JSC*  
Statement of Cash Flows for the year ended 31 December 2020

	<b>2020</b>	<b>2019</b>
	<b>‘000 KZT</b>	<b>‘000 KZT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fee and commission receipts	554,496	133,936
Fee and commission payments	(110,228)	(28,032)
Interest receipts	322,919	363,787
Interest payments	(45,887)	(1,085)
Net receipts from financial instruments measured at fair value through profit or loss	25,627	25,403
Net receipts from foreign exchange	55,661	21
Dividends received	301,143	55,861
Other receipts/(payments)/	4,511	(15,180)
General and administrative expenses payments	(625,182)	(301,377)
<b>(Increase)/decrease in operating assets</b>		
Financial instruments measured at fair value through profit or loss	(5,445,971)	272,784
Other assets	(2)	214
<b>Increase/(decrease) in operating liabilities</b>		
Accounts payable under repurchase agreements	2,403,564	-
Other liabilities	(5,089)	73
<b>Net cash (used in)/provided from operating activities before income tax paid</b>	<b>(2,564,438)</b>	<b>506,405</b>
Income tax paid	(1,295)	(8,505)
<b>Net cash (used in)/provided from operating activities</b>	<b>(2,565,733)</b>	<b>497,900</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment and intangible assets	(22,151)	(11,096)
Placement of deposits with banks	-	(100)
Withdrawal of deposits with banks	100	-
Deposits and balances with banks and other financial institutions	-	1,970,000
Acquisition of financial assets measured at fair value through other comprehensive income	(916,686)	(6,204,443)
Sale and redemption of financial assets measured at fair value through other comprehensive income	3,760,691	3,112,647
<b>Net cash provided from/(used in) investing activities</b>	<b>2,821,954</b>	<b>(1,132,992)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>256,221</b>	<b>(635,092)</b>
Effect of movements in exchange rates on cash and cash equivalents	(77,714)	(2,035)
Cash and cash equivalents at the beginning of the year	307,357	944,484
<b>Cash and cash equivalents as at the end of the year (Note 13)</b>	<b>485,864</b>	<b>307,357</b>

*First Heartland Jusan Invest JSC*  
Statement of Changes in Equity for the year ended 31 December 2020

‘000 KZT	Share capital	Fair value reserve - financial assets measured at fair value through other comprehensive income	Revaluation reserve for investment property transferred from property, plant and equipment	Retained earnings	Total equity
Balance at 1 January 2019	3,000,000	40,206	21,120	2,666,024	5,727,350
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	333,683	333,683
<b>Other comprehensive income</b>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value	-	30,430	-	-	30,430
Net amount reclassified to profit or loss	-	(1,205)	-	-	(1,205)
<b>Total other comprehensive income</b>	-	<b>29,225</b>	-	-	<b>29,225</b>
<b>Total comprehensive income for the year</b>	-	<b>29,225</b>	-	<b>333,683</b>	<b>362,908</b>
<b>Balance at 31 December 2019</b>	<b>3,000,000</b>	<b>69,431</b>	<b>21,120</b>	<b>2,999,707</b>	<b>6,090,258</b>
Balance at 1 January 2020	3,000,000	69,431	21,120	2,999,707	6,090,258
<b>Total comprehensive income</b>					
Profit for the year	-	-	-	541,378	541,378
<b>Other comprehensive income</b>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value	-	(13,681)	-	-	(13,681)
Net amount reclassified to profit or loss	-	27,926	-	-	27,926
<b>Total other comprehensive income</b>	-	<b>14,245</b>	-	-	<b>14,245</b>
<b>Total comprehensive income for the year</b>	-	<b>14,245</b>	-	<b>541,378</b>	<b>555,623</b>
<b>Balance at 31 December 2020</b>	<b>3,000,000</b>	<b>83,676</b>	<b>21,120</b>	<b>3,541,085</b>	<b>6,645,881</b>

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

## **1 Reporting entity**

### **(a) Organisation and operations**

First Heartland Jusan Invest JSC (formerly Tsesna Capital JSC) (the “Company”) is a joint stock company established and operating under the laws of the Republic of Kazakhstan.

The Company’s registered office is: 24 Sagynak Street, Yessil District, Nur-Sultan, Republic of Kazakhstan.

The Company possesses licences No. 3.2.239/16 for carrying out brokerage and dealing activities in the securities market with the right to manage clients’ accounts as a nominal holder, and investment portfolio management activities without the right to attract voluntary pension contributions, granted by the National Bank of the Republic of Kazakhstan (the “NBRK”) on 11 June 2019.

The competent authority which regulates the Company’s operations is the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (the “ARDFM”).

The Company’s principal activity is carrying out broker and dealing operations, managing investment portfolios for certain individuals and corporate clients, including five interval mutual funds, specifically “Protsentniy”, “Liquidniy”, “Global Leaders”, “Regional Leaders” and “Sovereign”, and closed-end mutual investment fund of risky investment “Global Investments” and “Tsesna – Pryamye Investitsiyi”. The Company does not have ownership interests in these funds and only receives administration fee from the beneficiaries.

The number of the Company’s employees as at 31 December 2020 was 50 (2019: 38).

As at 31 December 2020 First Heartland Jusan Bank JSC owned 100% of the shares of the Company (2019: First Heartland Jusan Bank JSC owned 100% of the shares of the Company).

The activities of the Company are closely related to the requirements of the Shareholder and a decision on setting prices for the Company’s services to the Shareholder is taken jointly with other Shareholder’s associates. Related party transactions are disclosed in Note 23.

### **(b) Kazakhstan business environment**

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

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

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers’ income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

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

Management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Company in the medium and longer term. The Company continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

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

## **2 Basis of accounting**

### **(a) Statement of compliance**

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

### **(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that investment property, financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are stated at fair value.

### **(c) Functional and presentation currency**

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

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

Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### *Judgments*

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

- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

## **3 Significant accounting policies**

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

**(a) Foreign currency transactions**

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured based on historical cost are translated to the functional currency using the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss, except for foreign currency differences arising from the translation of equity instruments designated as at FVOCI, that are recognised in other comprehensive income.

The following KZT exchange rates have been applied in preparation of these financial statements:

	<b>31 December 2020</b>	<b>31 December 2019</b>
USD	420.91	381.18
EUR	516.79	429.00
GBP	574.88	499.99

**(b) Interest income and expenses**

*Effective interest rate*

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

*Amortised cost and gross carrying amount*

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

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

### **Calculation of interest income and expense**

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 3 (e)(iv).

### **Presentation**

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

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

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL.

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

### **(c) Fee and commission income and expense**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

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

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

### **(d) Cash and cash equivalents**

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

### **(e) Financial assets and financial liabilities**

#### **(i) Classification**

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. Gains or losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at fair value through profit or loss.

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

### **Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;



- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

#### **Reclassifications**

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

Financial liabilities are classified as measured at amortised cost or FVTPL.

Financial liabilities are not reclassified subsequent to their initial recognition.

#### **(ii) Derecognition**

##### **Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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

### **Financial liabilities**

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

### **(iii) Modification of financial assets and financial liabilities**

#### **Financial assets**

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

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

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

The Company performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Company analogizes to the guidance on the derecognition of financial liabilities.

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

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

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

## **Financial liabilities**

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

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

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

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### **(iv) Impairment**

See also Note 4.

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL: financial assets that are debt instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4).

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments, other than purchased or originated credit-impaired assets, for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

### *Measurement of ECL*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows.

### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI and also net investment in the lease are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an asset or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganisation;  
or
- the disappearance of an active market for a security because of financial difficulties.

### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

### *Write-offs*

Debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

## **(f) Financial instruments: investment securities**

Debt investment securities measured at amortised cost (see Note 3(e)(i)) are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Debt and equity investment securities mandatorily measured at FVTPL (see Note 3(e)(i)) are measured at fair value with changes recognised immediately in profit or loss.

In addition, the Company has investment in debt and equity securities measured at fair value through other comprehensive income (see Note 3(e)(i)).

### ***Repurchase and reverse repurchase agreements***

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans to banks or cash and cash equivalents, if it represents highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in fair value. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

### ***Offsetting***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

## **(g) Property, plant and equipment**

### ***(i) Owned assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

### ***(ii) Lease***

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### ***(iii) Depreciation***

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

- |                            |                |
|----------------------------|----------------|
| • Buildings and structures | 25 - 55 years; |
| • Vehicles                 | 10 years;      |
| • Computer equipment       | 3 - 6 years;   |
| • Office equipment         | 5 - 10 years.  |

## **(h) Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 2 to 20 years.

**(i) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value through profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

**(j) Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(k) Share capital**

**(i) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(ii) Dividends**

The ability of the Company to declare and pay dividends is subject to acting legislation of the Republic of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

**(l) Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

***Current tax***

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

***Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(m) Fiduciary assets**

The Company provides custody services that result in the holding of assets on behalf of third parties. These assets and the income arising therefrom are excluded from these financial statements as they are not assets of the Company. Commissions received from such business are shown within fee and commission income in the profit or loss.

**(n) New standards and interpretations not yet adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application permitted; however, the Company has not early adopted them in preparing these financial statements.

***Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)***

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

**Other standards**

The following standards, amendments and interpretations are not expected to have a significant impact on the Company's financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- IFRS 17 Insurance Contracts.

## **4 Financial risk review**

This note presents information about the Company's exposure to financial risks. For information on the Company's financial risk management framework, see Note 18.

**Credit risk - Amounts arising from ECL**

**Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3(e)(iv).



### ***Significant increase in credit risk***

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due, except for debt securities and bank deposits.

### ***Credit risk grades***

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of issuer.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the issuer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

- Information obtained during periodic review of borrower files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Quoted bond and credit default swap (CDS) prices for the issuer where available.
- Actual and expected significant changes in the political, regulatory and technological environment of the issuer or in its business activities.

### ***Generating the term structure of PD***

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region, type of product and issuer as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

### ***Determining whether credit risk has increased significantly***

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Company presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, except for debt securities and bank deposits. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

#### *Definition of default*

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Company, except for debt securities and bank deposits. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the debtor will restructure the asset as a result of bankruptcy due to the debtor's inability to pay its credit obligations.

In assessing whether a customer is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### *Incorporating of forward-looking information*

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information. External information may include economic data and forecasts published by governmental bodies, NBRK, Ministry of National Economy of the RK and selected private sector and academic forecasters. This key driver that affect assessment of credit risk and credit losses is GDP forecast.

#### *Modified financial assets*

The contractual terms of an instrument may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the issuer. An existing instrument whose terms have been modified may be derecognised and the renegotiated instrument recognised as a new instrument at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new financial asset is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the counteragent's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

#### *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Company estimates LGD parameters based on the collateral liquidity ratios.

For financial assets designated as stages 1 and 2, the following 3 categories of LGD are considered:

- LGD is close to 0%, if the government acts as a counterparty.
- For other counterparties, LGD is calculated based on Moody's recovery studies according to the external rating of a counterparty. LGD parameters are to be recalculated as far as revised statistical studies are available (generally, on an annual basis).

Exposure at default represents the expected credit risk exposure as at the date of default. The Company derives the EAD from the current exposure to the borrower and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period.

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

	Carrying amount at 31 December 2020 ‘000 KZT	Carrying amount at 31 December 2019 ‘000 KZT	External benchmarks used	
			PD	LGD
Cash and cash equivalents	485,864	307,357	Moody’s default study	62-56%; 0% - if the Government of the Republic of Kazakhstan acts as a counterparty
Placements with banks	-	100	Moody’s default study	62-56%; 0% - if the Government of the Republic of Kazakhstan acts as a counterparty
Financial assets measured at fair value through other comprehensive income	358,344	3,228,258	Moody’s default study	LGD for investment securities issued by financial institutions is 62%; for other companies LGD is based on recovery rate depending on issuer’s rating.

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments as at 31 December 2020.

Explanation of the terms: Stage 1, Stage 2, Stage 3 and POCI are included in Note 3(e)(iv).

	<b>31 December 2020</b>			<b>Total</b>
	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL, not credit- impaired</b>	<b>Stage 3 Lifetime ECL, credit- impaired</b>	
<b>‘000 KZT</b>				
<i><b>Cash and cash equivalents</b></i>				
<i>Current accounts and term deposits with other banks and financial institutions</i>				
- rated from BB- to BB+	104,544	-	-	104,544
- rated from B- to B+	778	-	-	778
- not rated	25,461	-	-	25,461
<i>Accounts receivable under reverse repurchase agreements secured by the following financial assets:</i>				
- rated from BBB- to BBB+	355,125	-	-	355,125
<b>Total cash and cash equivalents</b>	<b>485,908</b>	<b>-</b>	<b>-</b>	<b>485,908</b>
Loss allowance	(44)	-	-	(44)
<b>Gross carrying amount</b>	<b>485,864</b>	<b>-</b>	<b>-</b>	<b>485,864</b>
<i><b>Debt financial instruments measured at fair value through other comprehensive income</b></i>				
- rated from BBB- to BBB+	193,856	-	-	193,856
- rated from BB- to BB+	9,656	-	-	9,656
- rated from B- to B+	-	154,832	-	154,832
<b>Total debt financial instrument measured at fair value through other comprehensive income</b>	<b>203,512</b>	<b>154,832</b>	<b>-</b>	<b>358,344</b>
Loss allowance	(123)	(43,870)	-	(43,993)
<b>Gross carrying amount</b>	<b>203,635</b>	<b>198,702</b>	<b>-</b>	<b>402,337</b>
<i><b>Trade and other receivables</b></i>				
- not overdue	28,784	-	-	28,784
- overdue more than 90 days but less than 1 year	-	-	10,996	10,996
<b>Total trade and other receivables</b>	<b>28,784</b>	<b>-</b>	<b>10,996</b>	<b>39,780</b>
Loss allowance	(10)	-	(6,820)	(6,830)
<b>Gross carrying amount</b>	<b>28,774</b>	<b>-</b>	<b>4,176</b>	<b>32,950</b>

‘000 KZT	31 December 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL, not credit- impaired	Stage 3 Lifetime ECL, credit- impaired	Total
<b><i>Cash and cash equivalents</i></b>				
<i>Current accounts and term deposits with other banks and financial institutions</i>				
- rated from BB- to BB+	289	-	-	289
- rated from B- to B+	88,381	-	-	88,381
- not rated	38,526	-	-	38,526
<i>Accounts receivable under reverse repurchase agreements secured by the following financial assets:</i>				
- rated from BBB- to BBB+	180,161	-	-	180,161
<b>Total cash and cash equivalents</b>	<b>307,357</b>	<b>-</b>	<b>-</b>	<b>307,357</b>
Loss allowance	-	-	-	-
<b>Gross carrying amount</b>	<b>307,357</b>	<b>-</b>	<b>-</b>	<b>307,357</b>
<b><i>Placements with banks</i></b>				
- rated from B- to B+	100	-	-	100
<b>Total placements with banks</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
Loss allowance	-	-	-	-
<b>Gross carrying amount</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
<b><i>Debt financial instruments measured at fair value through other comprehensive income</i></b>				
- rated from BBB- to BBB+	3,030,931	-	-	3,030,931
- rated from BB- to BB+	19,217	-	-	19,217
- rated from B- to B+	-	178,110	-	178,110
<b>Total debt financial instrument measured at fair value through other comprehensive income</b>	<b>3,050,148</b>	<b>178,110</b>	<b>-</b>	<b>3,228,258</b>
Loss allowance	(477)	(15,590)	-	(16,067)
<b>Gross carrying amount</b>	<b>3,050,625</b>	<b>193,700</b>	<b>-</b>	<b>3,244,325</b>
<b><i>Trade and other receivables</i></b>				
- not overdue	15,798	-	-	15,798
- overdue more than 90 days but less than 1 year	-	-	2,045	2,045
- overdue more than 1 year	-	-	584	584
<b>Gross carrying amount</b>	<b>15,798</b>	<b>-</b>	<b>2,629</b>	<b>18,427</b>
Loss allowance	(5,798)	-	(1,532)	(7,330)
<b>Total trade and other receivables</b>	<b>10,000</b>	<b>-</b>	<b>1,097</b>	<b>11,097</b>

## 5 Net fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it provides a service to a customer.

	<b>2020</b> <b>'000 KZT</b>	<b>2019</b> <b>'000 KZT</b>
<b>Fee and commission income</b>		
Brokerage	495,062	9,401
Services on investment portfolio management	60,251	55,992
Consulting services	11,340	7,000
Market maker services	5,108	16,556
Underwriting	-	40,934
Other	4,240	1,170
	<b>576,001</b>	<b>131,053</b>
	<b>2020</b> <b>'000 KZT</b>	<b>2019</b> <b>'000 KZT</b>
<b>Fee and commission expenses</b>		
Agency service fees	(147,542)	(411)
Trading expenses	(17,272)	(3,527)
Bloomberg service fees	(17,172)	(14,293)
Custody fees	(4,934)	(971)
Information services	(1,953)	(5,627)
Other	(1,187)	(4,739)
	<b>(190,060)</b>	<b>(29,568)</b>
	<b>385,941</b>	<b>101,485</b>

The Company recognises accounts receivable under contracts with customers when the rights of the Company for consideration for work performed become unconditional. As at 31 December 2020 accounts receivable under contracts with customers amounted to KZT 39,153 thousand (31 December 2019: KZT 18,427 thousand) before impairment allowance deduction.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Market-maker services	The Company provides market-maker services for maintaining an active trading of financial instruments on a secondary market by marking purchase and sale prices. For performance obligations under market maker services there is fixed consideration based on an agreement between the parties.	Revenue from market-maker service is recognised over time as the services are provided, as the services represent the delivery of a continuous service to the customer over the contract period. Consideration is represented by fixed amount, paid on a monthly basis.
Brokerage fee	The Company provides brokerage services to its customers. Each client's order/request for the related service represents one performance obligation. For performance obligations under brokerage services there is fixed consideration based on Company's tariff's policy.	Revenue from brokerage services is recognised at point in time as control over service performed transferred when the service is provided, on transaction trade date.



<b>Type of service</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition under IFRS 15</b>
Services on investment portfolio management	<p>Asset management service represents one performance obligation (a series of distinct services), performed during the period.</p> <p>Consideration consists of two variable parts – management fee and performance fee.</p> <p>Management fee for asset management services are calculated based on a fixed percentage rate of the value of assets managed; and performance fee depends on Fund’s profitability.</p>	<p>Consideration consists of two components: management fee based on average net asset value (NAV) - for closed-end mutual fund of risky investment and based on average total value of assets - for the interval mutual investment funds, and performance fees payable if a specified return level is achieved.</p> <p>The cumulative amount of consideration from the management fee to which the Company is entitled is not constrained, because it is calculated based on NAV for closed-end mutual funds of risky investment and total value of assets for interval mutual investments funds at the end of each month. Therefore, the consideration for the month is known after the end of each month. The Company determines that it can allocate the entire amount of the fee to the completed months, because the fee relates specifically to the service provided during those months. Performance based fee is recognised by the Company at point in time. This is because the performance fee has a high variability of possible consideration amounts and the magnitude of any downward adjustment could be significant.</p>
Underwriting services	<p>The Company provides underwriting services to its customers.</p> <p>Fee for the service is fixed amount per contract; and fee is charged when the service has been provided.</p>	<p>Revenue from underwriting services is satisfied at point in time as control over service performed is transferred when the service is rendered.</p>
Consulting services	<p>The Company provides consulting services to clients, including:</p> <ul style="list-style-type: none"> <li>- analysis of the issuer's financial and economic activities for compliance with the requirements of the legislation of the Republic of Kazakhstan;</li> <li>- consulting services related to the registration of the bond issue and the listing procedure.</li> </ul> <p>Reimbursement for consulting services is presented in the form of a fixed amount specified in the agreement between the parties.</p>	<p>Revenue from consulting services is recognised at a certain point in time, since control over the service performed is transferred when the service is rendered.</p>

In 2020 the Company did not provide underwriting services to its parent company, First Heartland Jusan Bank JSC, on issue of shares and bonds (2019: nil).

## 6 Net finance income

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Interest income calculated using the effective interest rate method</b>		
Placements with banks	425	30,950
Cash and cash equivalents	30,255	162,317
Financial assets measured at fair value through other comprehensive income	57,303	93,332
<b>Total interest income calculated using the effective interest rate method</b>	<b>87,983</b>	<b>286,599</b>
<b>Other interest income</b>		
Financial instruments measured at fair value through profit or loss	125,212	139,522
<b>Total other interest income</b>	<b>125,212</b>	<b>139,522</b>
	<b>213,195</b>	<b>426,121</b>
<b>Interest expense</b>		
Amounts payable under repurchase agreements - interest expense	(46,157)	(1,085)
<b>Total finance income, net</b>	<b>167,038</b>	<b>425,036</b>

## 7 Dividend income

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Dividend income</b>		
Financial instruments measured at fair value through profit or loss	301,142	56,824
Financial assets measured at fair value through other comprehensive income	-	927
<b>Total dividend income</b>	<b>301,142</b>	<b>57,751</b>

## 8 Net gain on financial instruments measured at fair value through profit or loss

	2020 ‘000 KZT	2019 ‘000 KZT
Equity instruments	209,623	144,052
Debt instruments	128,047	41,908
	<b>337,670</b>	<b>185,960</b>

## 9 Loss on initial recognition of financial instruments at below-market rate

On 29 March 2019 the Company acquired debt securities with nominal value of KZT 188,498 thousand with a coupon rate of 0.1% per annum and maturity in 2034, for KZT 188,498 thousand. Fair value at initial recognition was measured using the market interest rate of 11.5% per annum, which reflects a credit risk of the issuer of the securities acquired and was equal to KZT 38,893 thousand. The difference of KZT 149,605 thousand between the nominal value and fair value of debt securities acquired as at the date of initial recognition was recognised in the statement of profit or loss and other comprehensive income.

## 10 (Charge)/reversal of impairment losses on debt financial assets

	2020 ‘000 KZT	2019 ‘000 KZT
Financial assets measured at fair value through other comprehensive income	(29,485)	16,514
Placements with banks	(116)	15,315
Trade and other receivables	2,602	(5,102)
	<b>(26,999)</b>	<b>26,727</b>

## 11 General administrative expenses

	2020 ‘000 KZT	2019 ‘000 KZT
Payroll and related taxes	(627,412)	(195,147)
Advertising services	(61,686)	-
Audit and consulting services	(25,297)	(12,110)
Communication and information services	(15,827)	(13,817)
Depreciation and amortisation	(10,715)	(8,541)
Rent	(10,613)	(17,172)
Software	(9,259)	(8,465)
Expenses on inventory write-off	(7,960)	(6,634)
Taxes other than income tax	(7,906)	(8,466)
Travel expenses	(4,335)	(11,546)
Repair and maintenance	(1,996)	(5,999)
Other	(24,015)	(12,708)
	<b>(807,021)</b>	<b>(300,605)</b>

## 12 Income tax benefit/(expense)

	2020 ‘000 KZT	2019 ‘000 KZT
Current income tax expense	(183)	(2,172)
Origination and reversal of temporary differences	30,776	1,365
<b>Income tax benefit/(expense)</b>	<b>30,593</b>	<b>(807)</b>

In 2020, the applicable tax rate for current and deferred tax is 20% (2019: 20%).

### Reconciliation of effective tax rate:

	2020 ‘000 KZT	%	2019 ‘000 KZT	%
<b>Profit before income tax</b>	<b>510,785</b>		<b>334,490</b>	
Income tax at applicable tax rate	(102,157)	(20.0)	(66,898)	(20.0)
Non-taxable income on financial instruments	98,413	19.3	99,263	29.7
Non-taxable income on dividends	60,228	11.8	11,550	3.5
Non-deductible expenses	(25,891)	(5.1)	(44,722)	(13.4)
	<b>30,593</b>	<b>6.0</b>	<b>(807)</b>	<b>(0.2)</b>

### Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2020 and 2019.

The deductible temporary differences do not expire under current tax legislation of the Republic of Kazakhstan.

Movements in temporary differences during the year ended 31 December 2020:

‘000 KZT	Balance at 1 January 2020	Recognised in profit or loss	Balance at 31 December 2020
Property, plant and equipment	(4,736)	(1,800)	(6,536)
Investment property	(7,294)	120	(7,174)
Trade and other receivables	1,467	(101)	1,366
Trade and other payables	1,905	32,557	34,462
<b>Net deferred tax assets</b>	<b>(8,658)</b>	<b>30,776</b>	<b>22,118</b>

Movements in temporary differences during the year ended 31 December 2019:

‘000 KZT	Balance at 1 January 2019	Recognised in profit or loss	Balance at 31 December 2019
Property, plant and equipment	(4,388)	(348)	(4,736)
Investment property	(7,217)	(77)	(7,294)
Trade and other receivables	446	1,021	1,467
Trade and other payables	1,136	769	1,905
<b>Net deferred tax liabilities</b>	<b>(10,023)</b>	<b>1,365</b>	<b>(8,658)</b>

### 13 Cash and cash equivalents

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Cash on hand</b>		-
<b>Current accounts and term deposits with banks and financial institutions</b>		
Central Depository and Kazakhstan Stock Exchange (not rated)	25,461	38,526
- rated from BB- to BB+	104,544	289
- rated B- to B+	778	88,381
<b>Current accounts and term deposits with banks and financial institutions</b>	<b>130,783</b>	<b>127,196</b>
Loss allowance	(44)	-
<b>Net total current accounts and term deposits with banks and financial institutions</b>	<b>130,739</b>	<b>127,196</b>
<b>Accounts receivable under reverse repurchase agreements secured by the following financial assets:</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	355,125	150,161
NBRK discount notes	-	30,000
<b>Accounts receivable under reverse repurchase agreements</b>	<b>355,125</b>	<b>180,161</b>
Loss allowance	-	-
<b>Net total accounts receivable under reverse repurchase agreements</b>	<b>355,125</b>	<b>180,161</b>
<b>Total cash and cash equivalents</b>	<b>485,864</b>	<b>307,357</b>

The table above is based on credit ratings assigned by Standards & Poor’s rating agency or other agencies converted into Standard & Poor’s scale.

All cash and cash equivalents are included in Stage 1 of the credit risk grade.

#### **Collateral accepted as security for assets**

During 2020 and 2019 the Company entered into reverse repurchase agreements at Kazakhstan Stock Exchange. As at 31 December 2020 amounts receivable under reverse repurchase agreements are collateralised by government bonds of the Ministry of Finance of the Republic of Kazakhstan with a total fair value of KZT 355,125 thousand (31 December 2019: government bonds of the Ministry of Finance of the Republic of Kazakhstan and NBRK discount notes with a total fair value of KZT 180,161 thousand).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

No loss allowance has been recognised for amounts receivable under reverse repurchase agreements.

## 14 Financial instruments measured at fair value through profit or loss

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Held by the Company</b>		
<b>Debt instrument</b>		
<b>- Government bonds</b>		
Discount notes of the National Bank of the Republic of Kazakhstan	800,158	293,198
Bonds of the Ministry of Finance of the Republic of Kazakhstan	326,424	-
<b>Total government bonds</b>	<b>1,126,582</b>	<b>293,198</b>
<b>- Corporate bonds</b>		
rated BBB- to BBB+	2,389,827	-
rated from BB- to BB+	1,026,933	592,681
rated from B- to B+	193,883	210,378
<b>Total corporate bonds</b>	<b>3,610,643</b>	<b>803,059</b>
<b>Total debt instruments</b>	<b>4,737,225</b>	<b>1,096,257</b>
<b>Equity instruments</b>		
NAC Kazatomprom JSC	511,058	500,526
First Heartland Jusan Bank JSC	145,913	145,913
Kazakhtelecom JSC	16,664	412,474
KazTransOil JSC	-	156,479
KEGOK JSC	-	39,104
Foreign emitters	390,322	-
<b>Total equity instruments - quoted</b>	<b>1,063,957</b>	<b>1,254,496</b>
Shares of investment funds	181,255	-
<b>Total shares of investment funds</b>	<b>181,255</b>	<b>-</b>
	<b>5,982,437</b>	<b>2,350,753</b>
<b>Pledged under sale and repurchase agreements</b>		
<b>- Government bonds</b>		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	2,209,981	-
<b>Total government bonds</b>	<b>2,209,981</b>	<b>-</b>

The table above represents information on credit quality based on credit ratings of issuers presented in accordance with the standards of Standards & Poor’s rating agency or other agencies converted into Standard & Poor’s scale.

Financial instruments measured at fair value through profit or loss comprise financial instruments held for trading.

Financial assets measured at fair value through profit or loss are not past due.

The Company’s exposure to credit and interest rate risks related to financial instruments measured at fair value through profit or loss is disclosed in Note 18.

## 15 Financial assets measured at fair value through other comprehensive income

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Held by the Company</b>		
<b>Debt instruments</b>		
<b>- Government bonds</b>		
NBRK discount notes	-	1,506,989
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	207,211
<b>Total government bonds</b>	<b>-</b>	<b>1,714,200</b>
<b>- Corporate bonds</b>		
Corporate bonds rated from BBB- to BBB+	-	1,316,731
Corporate bonds rated from BB- to BB+	9,656	19,217
Corporate bonds rated from B- to B+	154,832	178,110
<b>Total corporate bonds</b>	<b>164,488</b>	<b>1,514,058</b>
<b>Total debt instruments</b>	<b>164,488</b>	<b>3,228,258</b>
<b>Equity instruments</b>		
Kazakhstan Stock Exchange JSC	-	30,665
Kazzinc LLP	18,658	17,026
CNPC – Aktobemunaigas JSC	2,471	3,333
<b>Total equity instruments</b>	<b>21,129</b>	<b>51,024</b>
	<b>185,617</b>	<b>3,279,282</b>
<b>Pledged under sale and repurchase agreements</b>		
<b>- Government bonds</b>		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	193,856	-
<b>Total government bonds</b>	<b>193,856</b>	<b>-</b>

The ratings above represents information on credit quality based on credit ratings of issuers presented in accordance with the standards of Standards & Poor’s rating agency or other agencies converted into Standard & Poor’s scale.

As at 31 December 2019 equity instruments of Kazzinc LLP were revalued. According to the methods, the securities invested in Kazzinc LLP were measured using the Level 2 inputs - information on the value of another instrument similar to the greatest extent.

Financial assets measured at fair value through other comprehensive income are not past due.

The Company’s exposure to credit and interest rate risks related to investment securities is disclosed in Note 18.

### Movement in loss allowance

The following table shows reconciliations from opening and closing balances of the loss allowance on investment securities, measured at fair value through other comprehensive income:

‘000 KZT	Stage 1	Stage 2	Total
Balance at 1 January 2020	(477)	(15,590)	(16,067)
Net remeasurement of loss allowance	354	(28,280)	(27,926)
<b>Balance at 31 December 2020</b>	<b>(123)</b>	<b>(43,870)</b>	<b>(43,993)</b>
‘000 KZT	Stage 1	Stage 2	Total
Balance at 1 January 2019	-	(32,581)	(32,581)
Net remeasurement of loss allowance	(477)	16,991	16,514
<b>Balance at 31 December 2019</b>	<b>(477)</b>	<b>(15,590)</b>	<b>(16,067)</b>

## 16 Accounts payable under repurchase agreements

During 2020 the Company entered into repurchase agreements at Kazakhstan Stock Exchange with a total carrying value of KZT 2,411,172 thousand, collateralised by government bonds of the Ministry of Finance of the Republic of Kazakhstan with a total fair value of KZT 2,403,837 thousand.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

## **17 Share capital**

### **(a) Issued capital**

The authorised, issued and outstanding share capital comprises 3,000,000 ordinary shares (31 December 2019: 3,000,000 ordinary shares). All shares have a nominal value of KZT 1,000 per share. During 2020 and 2019 no ordinary shares were issued.

### **(b) Dividends**

In accordance with Kazakhstan legislation an entity's distributable reserves are limited to the balance of retained earnings or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the entity's insolvency.

In accordance with the legislation of the Republic of Kazakhstan, as at 31 December 2020, reserves available for distribution amounted to KZT 3,541,085 thousand (2019: KZT 2,999,707 thousand).

As at 31 December 2020 and 2019, no dividends were declared and paid.

## **18 Risk management**

Management of risk is fundamental to the business of the Company and forms an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

### **(a) Risk management policies and procedures**

The Company's risk management policies aim to identify, analyse, assess and take necessary response measures against the risks that it is exposed to. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, business directions and emerging best practice.

The Board of Directors has overall responsibility for the establishment of effective risk management framework, approval of the risk management policies and procedures; controls implementation thereof and is responsible for approval of certain transactions in compliance with the current legislation and regulations governing the Company's operations.

The Management Board is responsible for proper functioning of the risk management system, implementation of the risk management policies and procedures and ensuring that the Company operates within established risk parameters. Risk Management Department is responsible for implementation of procedures of risk identification, analysis and assessment and determination of the necessary response measures, oversight of compliance with the current legislation and preparation and presentation of the financial statements in compliance with the internal documents and risk management regulations. Risk Management Department reports directly to the Chairman of the Management Board.

### **(b) Market risk**

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Company's income or the value of its portfolios. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Company manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits, which are monitored on a regular basis and reviewed and approved by the Investment Committee and Management Board.

In addition, the Company uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Company's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Company are carried with regard to price, interest rate, currency and liquidity risks.

(i) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

**Average interest rates**

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2020 and 2019. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	<b>Weighted average effective interest rates, %</b>					
	<b>2020</b>			<b>2019</b>		
	<b>KZT</b>	<b>US dollars</b>	<b>CHF</b>	<b>KZT</b>	<b>US dollars</b>	<b>CHF</b>
<b>Interest bearing assets</b>						
Cash and cash equivalents	8.08	-	-	8.64	-	-
Placements with banks	-	-	-	6.0	-	-
Financial instruments measured at fair value through profit or loss – debt instruments	9.09	2.33	3.67	10.48	5.21	3.67
Financial assets measured at fair value through other comprehensive income – debt instruments	10.08	4.75	-	9.98	3.54	-
<b>Interest bearing liabilities</b>						
Accounts payable under repurchase agreements	-	1.37	-	-	-	-

**Cash flow interest rate sensitivity analysis**

An analysis of sensitivity of profit or loss for the years ended 31 December 2020 and 2019 and equity to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and reviewed positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 2019 is as follows:

<b>‘000 KZT</b>	<b>2020</b>		<b>2019</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
100 bp parallel rise	(12,429)	(12,429)	3,568	13,939
100 bp parallel fall	12,429	12,429	(3,568)	(13,939)

**Fair value sensitivity analysis (debt financial instruments)**

An analysis of the sensitivity of profit or loss for the years ended 31 December 2020 and 31 December 2019 and equity as a result of changes in the fair value of the debt financial instruments at fair value through profit or loss due to changes in the interest rates (based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves) is as follows:

<b>‘000 KZT</b>	<b>2020</b>		<b>2019</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
100 bp parallel rise	(192,380)	(205,877)	(28,182)	(57,936)
100 bp parallel fall	198,697	213,230	30,245	65,331

An analysis of the sensitivity of profit or loss for the years ended 31 December 2020 and 31 December 2019 and equity as a result of changes in the fair value of the equity financial instruments measured at fair value through profit or loss due to changes in the interest rates (based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves) is as follows:

<b>‘000 KZT</b>	<b>2020</b>		<b>2019</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
100 bp parallel rise	12,452	12,477	12,545	12,885
100 bp parallel fall	(12,452)	(12,477)	(12,545)	(12,885)



**(ii) Currency risk**

The Company has assets denominated in several foreign currencies.

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2020:

	US Dollars ‘000 KZT	CHF ‘000 KZT	Total ‘000 KZT
<b>ASSETS</b>			
Cash and cash equivalents	104,787	-	104,787
Financial instruments measured at fair value through profit or loss	6,482,235	72,674	6,554,909
Financial assets measured at fair value through other comprehensive income	203,513	-	203,513
<b>Total assets</b>	<b>6,790,535</b>	<b>72,674</b>	<b>6,863,209</b>
<b>LIABILITIES</b>			
Accounts payable under repurchase agreements	(2,411,172)	-	(2,411,172)
<b>Total liabilities</b>	<b>(2,411,172)</b>	<b>-</b>	<b>(2,411,172)</b>
<b>Net position</b>	<b>4,379,363</b>	<b>72,674</b>	<b>4,452,037</b>

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2019:

	US Dollars ‘000 KZT	CHF ‘000 KZT	Total ‘000 KZT
<b>ASSETS</b>			
Cash and cash equivalents	77,100	-	77,100
Financial instruments measured at fair value through profit or loss	614,635	62,226	676,861
Financial assets measured at fair value through other comprehensive income	226,427	-	226,427
<b>Total assets</b>	<b>918,162</b>	<b>62,226</b>	<b>980,388</b>
<b>Net position</b>	<b>918,162</b>	<b>62,226</b>	<b>980,388</b>

A weakening of KZT, as indicated in the table below, against the following currencies at 31 December 2020 and 2019 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

‘000 KZT	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
20% appreciation of USD against KZT	700,698	700,698	146,906	146,906
5% depreciation of USD against KZT	(175,175)	(175,175)	(36,726)	(36,726)
20% appreciation of CHF against KZT	11,628	11,628	9,956	9,956
5% depreciation of CHF against KZT	(2,907)	(2,907)	(2,489)	(2,489)

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Company takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 10% change in all securities prices is as follows:

‘000 KZT	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
10% increase in securities prices	124,521	126,634	100,360	104,442
10% decrease in securities prices	(124,521)	(126,634)	(100,360)	(104,442)

(c) **Credit risk**

Credit risk is the risk of financial losses to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to establish and limit credit risk concentration and to actively monitor credit risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to a balance sheet credit risk at the reporting date is as follows:

	2020	2019
	‘000 KZT	‘000 KZT
<b>ASSETS</b>		
Cash and cash equivalents	485,864	307,357
Placements with banks	-	100
Financial instruments measured at fair value through profit or loss	6,947,206	1,096,257
Financial assets measured at fair value through other comprehensive income	358,344	3,228,258
Dividends receivable	24,731	24,731
Trade and other receivables	32,950	11,097
<b>Total maximum exposure to credit risk</b>	<b>7,849,095</b>	<b>4,667,800</b>

As at 31 December 2020 the Company has two issuers in its securities portfolio: the Ministry of Finance of the Republic of Kazakhstan and NBRK (31 December 2019: two issuers), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

The credit risk exposure for these counterparties as at 31 December 2020 is KZT 3,885,544 thousand (31 December 2019: KZT 2,823,722 thousand).

**Offsetting financial assets and financial liabilities**

The disclosures set out in the tables below include financial assets and financial liabilities that:

- Are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and lending agreements.

The Company receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- Repurchase agreements, reverse repurchase agreements

These securities received/given as collateral cannot be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction.

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020.

‘000 KZT

Types of financial assets/ financial liabilities	Gross amount of recognised financial assets / financial liabilities	Gross amount of recognised financial assets/ financial liabilities offset in the statement of financial position	Net amount of financial assets/ financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Cash and cash equivalents						
<i>Reverse repurchase agreements, securities borrowings or similar agreements</i>	355,125		355,125	(355,125)	-	-
<b>Total financial assets</b>	<b>355,125</b>		<b>355,125</b>	<b>(355,125)</b>	<b>-</b>	<b>-</b>
Accounts payable under repurchase agreements	(2,411,172)		(2,411,172)	2,411,172	-	-
<b>Total financial liabilities</b>	<b>(2,411,172)</b>		<b>(2,411,172)</b>	<b>2,411,172</b>	<b>-</b>	<b>-</b>

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019.

‘000 KZT

Types of financial assets	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments (including non-cash collateral)	Cash collateral received	
Cash and cash equivalents						
<i>Reverse repurchase agreements, securities borrowings or similar agreements</i>	180,161	-	180,161	(180,161)	-	-

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at amortised cost.

**(d) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

As at 31 December 2020 and 2019 the Company's financial assets significantly exceeded financial liabilities and the Company did not have significant liquidity risk exposures.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2020:

'000 KZT	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	130,739	355,125	-	-	-	-	485,864
Financial instruments measured at fair value through profit or loss	6,525,956	421,250	1,245,212	-	-	-	8,192,418
Financial assets measured at fair value through other comprehensive income	-	-	56,154	237,446	64,744	21,129	379,473
Trade and other receivables	28,774	-	4,176	-	-	-	32,950
Dividends receivable	-	-	24,731	-	-	-	24,731
Investment property	-	-	-	-	-	44,776	44,776
Property, plant and equipment and intangible assets	-	-	-	-	-	65,763	65,763
Current tax asset	-	-	30,529	-	-	-	30,529
Deferred tax asset	-	-	-	-	-	22,118	22,118
Other assets	-	-	41,541	-	-	-	41,541
<b>Total assets</b>	<b>6,685,469</b>	<b>776,375</b>	<b>1,402,343</b>	<b>237,446</b>	<b>64,744</b>	<b>153,786</b>	<b>9,320,163</b>
<b>LIABILITIES</b>							
Accounts payable under purchase agreements	2,411,172	-	-	-	-	-	2,411,172
Trade and other payables	92,210	145,793	25,107	-	-	-	263,110
<b>Total liabilities</b>	<b>2,503,382</b>	<b>145,793</b>	<b>25,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,674,282</b>
<b>Net position</b>	<b>4,182,087</b>	<b>630,582</b>	<b>1,377,236</b>	<b>237,446</b>	<b>64,744</b>	<b>153,786</b>	<b>6,645,881</b>

Securities measured at fair value through profit or loss in the portfolio of the Company are very liquid and quoted on various stock exchanges. Due to the fact that the sale period for almost all securities in this category is less than 5 working days, the Company included these securities based on the maximum sale period of the securities, not the maturity date in the table. Thus, debt securities with a maturity of up to 5 years were included in the "demand and less than 1 month" category. Debt securities with a maturity more than 5 years were included in the "from 1 to 3 months" category as these securities are less liquid. Equity securities (with no maturity) were included in the "from 3 to 12 months" category, as when selling these securities, it is important to sell them with no loss (according to the Company's investment strategy), and therefore, the Company's portfolio managers can wait for the market situation to improve for a more profitable sale.

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2019:

‘000 KZT	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	307,357	-	-	-	-	-	307,357
Placements with banks	100	-	-	-	-	-	100
Financial instruments measured at fair value through profit or loss	2,843	293,198	45,079	640,713	114,424	1,254,496	2,350,753
Financial assets measured at fair value through other comprehensive income	177	501,317	2,342,594	311,891	72,279	51,024	3,279,282
Trade and other receivables	6,749	2,472	1,876	-	-	-	11,097
Dividends receivable	-	-	24,731	-	-	-	24,731
Investment property	-	-	-	-	-	46,364	46,364
Property, plant and equipment and intangible assets	-	-	-	-	-	44,971	44,971
Current tax asset	-	-	31,992	-	-	-	31,992
Other assets	-	1,985	14,890	-	-	4,000	20,875
<b>Total assets</b>	<b>317,226</b>	<b>798,972</b>	<b>2,461,162</b>	<b>952,604</b>	<b>186,703</b>	<b>1,400,855</b>	<b>6,117,522</b>
<b>LIABILITIES</b>							
Trade and other payables	7,517	1,564	9,525	-	-	-	18,606
Deferred tax liability	-	-	-	-	-	8,658	8,658
<b>Total liabilities</b>	<b>7,517</b>	<b>1,564</b>	<b>9,525</b>	<b>-</b>	<b>-</b>	<b>8,658</b>	<b>27,264</b>
<b>Net position</b>	<b>309,709</b>	<b>797,408</b>	<b>2,451,637</b>	<b>952,604</b>	<b>186,703</b>	<b>1,392,197</b>	<b>6,090,258</b>

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

## 19 Capital management

ARDFM sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulations of the Republic of Kazakhstan as capital. Under the current capital requirements set by ARDFM, broker-dealer and investment portfolio management companies have to maintain a ratio of liquid assets less liabilities to statutory minimum capital above the prescribed minimum level. As at 31 December 2020, this minimum level is 1 (2019: 1). The Company is in compliance with the statutory capital ratio as at 31 December 2020 and 2019.

As at 31 December 2020 the ratio of liquid assets less liabilities to statutory minimum capital is 18.87 (31 December 2019: 19.74).

## 20 Leases

### (a) Leases as lessee

In 2020 and 2019 the Company leased a number of office premises under operating leases from a related party.

During 2020 lease expenses amounted to KZT 10,613 thousand and were recognised within administrative expenses (2019: KZT 17,172 thousand). Under the operating lease contracts, the Company has to notify the lessor at least 30 working days in advance of termination of the operating lease contracts.

These leases are short-term and/or leases of low-value items.

The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

**(b) Leases as lessor**

The Company leases out its investment property. All leases are classified as operating leases from a lessor perspective. Non-cancellable operating lease rentals are receivable as follows.

	2020 ‘000 KZT	2019 ‘000 KZT
Less than 1 year	3,894	248
	3,894	248

## **21 Contingencies**

**(a) Insurance**

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its property, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to the Company’s operations.

Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

**(b) Litigations**

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

**(c) Taxation contingencies**

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## **22 Trust activities and brokerage activities**

**(a) Funds management and trust activities**

The Company provides trust management services to individuals, mutual investment funds, and legal entities, namely: manages assets management and invests the funds received to various financial instruments.

The Company receives fee income for providing these services. Trust assets are not assets of the Company and are not recognised in the statement of financial position.

**(b) Brokerage activities**

The Company provides brokerage services to its customers by concluding transactions with the financial instruments for and on behalf, on the account and in the interests of the customers and receives a commission fee for the services provided, and ensures custody of securities as a nominal holder in the name of the customers. The Company receives fee income for providing these services. Assets acquired at the expense in in the interests of customers are not assets of the Company and are not recognised in the statement of financial position. The Company is not exposed to any credit risk when carrying out said transactions as it acts in the capacity of an intermediary.

**23 Related party transactions**

**(a) Control relationship**

As at 31 December 2020 the sole shareholder of the Company is First Heartland Jusan Bank JSC (hereinafter, the “Shareholder”).

As at 31 December 2020, the shareholders of First Heartland Jusan Bank JSC are First Heartland Securities JSC, which owns 80.04% of outstanding ordinary shares, and Mr. G.Sh. Yessenov who owns 19.96% of outstanding ordinary shares (31 December 2019: the Bank’s sole shareholder is First Heartland Securities JSC, which owned 100% of outstanding ordinary shares).

As at 31 December 2020 the Pioneer Capital Invest LLP exercises voting rights over the shares of Jysan Technologies Ltd, the parent company of First Heartland Securities JSC, for the ultimate benefit of and exclusively to support the financial activities of the autonomous educational organizations “Nazarbayev University” and “Nazarbayev Intellectual Schools” and their organizations. As at 31 December 2020, the Private Fund “Nazarbayev Fund” owns 67.53% of the share in Pioneer Capital Invest LLP.

As at 31 December 2019 the ultimate controlling party of the Company is the Private Fund “Nazarbayev Fund”, a non-profit organization created exclusively to support the financial activities of the autonomous educational organizations “Nazarbayev University” and “Nazarbayev Intellectual Schools” and their organizations.

**(b) Transactions with members of Board of Directors and the Management Board**

Total remuneration included in personnel expenses for the years ended 31 December 2020 and 2019 is as follows:

	2020 ‘000 KZT	2019 ‘000 KZT
<b>Statement of Financial Position</b>		
<b>Liabilities</b>		
Trade and other payables	114,012	-
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
<b>Total administrative expenses</b>		
Payroll and related taxes	(325,951)	(72,412)

These amounts include cash and non-cash remuneration of the members of Board of Directors and the Management Board.

(c) **Transactions with other related parties**

The outstanding balances and the related average effective interest rates as at 31 December 2020 and 2019 and related profit or loss amounts of transactions for the years ended 31 December 2020 and 2019 with other related parties are as follows:

‘000 KZT	Shareholder		Entities under common control		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Statement of financial position</b>								
<b>Assets</b>								
Cash and cash equivalents	384	7,359	-	-	-	-	384	7,359
Placements with banks	-	100	-	-	-	-	-	100
Financial instruments measured at fair value through profit or loss	145,913	145,913	-	-	-	-	145,913	145,913
Financial instruments measured at fair value through other comprehensive income	154,832	178,587	-	-	-	-	154,832	178,587
Trade and other receivables	1,391	1,863	11,658	7,966	3	-	13,052	9,829
Other assets	29	-	-	1,716	-	217	29	1,933
Dividends receivable	24,731	24,731	-	-	-	-	24,731	24,731
<b>Liabilities</b>								
Trade and other payables	(74,966)	(163)	-	-	(28)	-	(74,994)	(163)
<b>Statement of profit or loss and other comprehensive income</b>								
Fee and commission income	1,800	4,582	137,650	3,187	60,340	46,935	199,790	54,704
Fee and commission expenses	(147,542)	(1,556)	-	-	-	-	(147,542)	(1,556)
Dividends income	226,682	-	-	-	-	-	226,682	-
Finance income	9,495	73,173	-	-	-	-	9,495	73,173
Financial instruments measured at fair value through profit or loss	-	300,613	297	-	-	-	297	300,613
Financial instruments measured at fair value through other comprehensive income	12,117	-	-	-	-	-	12,117	-
General administrative expenses	(20,624)	(17,195)	(3,892)	(632)	-	(180)	(24,516)	(18,007)
Other income	-	-	-	16	-	-	-	16

As at 31 December 2020 the Company holds shares of CMIFRI “J1 Capital” in the amount of KZT 30,297 thousand and represents assets under common control of the Company.

As at 31 December 2020, the financial instruments at fair value through profit or loss issued by the related parties have the average effective interest rate of 8.0% per annum (2019: the average effective interest rate of 9.6% per annum). The majority of balances resulting from transactions with related parties mature within one year. Transactions with related parties are not secured.



## 24 Financial assets and liabilities: fair values and accounting classifications

### (a) Accounting classifications and fair values

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

‘000 KZT	At FVTPL	At amortised cost	At FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	485,864	-	485,864	485,864
Financial instruments measured at fair value through profit or loss	8,192,418	-	-	8,192,418	8,192,418
Financial assets measured at fair value through other comprehensive income	-	-	379,473	379,473	379,473
Trade and other receivables	-	32,950	-	32,950	32,950
Dividends receivable	-	24,731	-	24,731	24,731
	<b>8,192,418</b>	<b>543,545</b>	<b>379,473</b>	<b>9,115,436</b>	<b>9,115,436</b>
Accounts payable under repurchase agreements	-	(2,403,837)	-	(2,403,837)	(2,411,172)
Other financial liabilities	-	(92,430)	-	(92,430)	(92,430)
	-	<b>(2,496,267)</b>	-	<b>(2,496,267)</b>	<b>(2,503,602)</b>

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019.

‘000 KZT	At FVTPL	At amortised cost	At FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	-	307,357	-	307,357	307,357
Placements with banks	-	100	-	100	100
Financial instruments measured at fair value through profit or loss	2,350,753	-	-	2,350,753	2,350,753
Financial assets measured at fair value through other comprehensive income	-	-	3,279,282	3,279,282	3,279,282
Trade and other receivables	-	11,097	-	11,097	11,097
Dividends receivable	-	24,731	-	24,731	24,731
	<b>2,350,753</b>	<b>343,285</b>	<b>3,279,282</b>	<b>5,973,320</b>	<b>5,973,320</b>
Other financial liabilities	-	(5,971)	-	(5,971)	(5,971)
	-	<b>(5,971)</b>	-	<b>(5,971)</b>	<b>(5,971)</b>

The fair value of unquoted equity securities measured at fair value through other comprehensive income with a carrying value of KZT 2,471 thousand (2019: KZT 4,832 thousand) cannot be determined as there is no market for these instruments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

**(b) Fair value hierarchy**

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company has an established control framework with respect to the measurement of fair values. This framework includes a Risk Management Department function, which is independent of front office management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- quarterly calibration against observed market transactions;
- analysis and investigation of significant weekly valuation movements.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Chief Accountant receives from the Asset Management Department a document confirming the fair value of financial instruments for the purpose of accounting in accordance with IFRS requirements.

The table below analyses financial instruments measured at fair value as at 31 December 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The amounts are based on the values recognised in the statement of financial position:

<b>‘000 KZT</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial instruments measured at fair value through profit or loss				
- Debt and other fixed income instruments	5,328,365	1,408,835	-	6,737,200
- Debt and other floating income instruments	210,006	-	-	210,006
- Equity instruments	1,069,002	30,296	145,914	1,245,212
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed income instruments	203,512	137,292	-	340,804
- Debt and other floating income instruments	-	17,540	-	17,540
- Equity instruments	-	21,129	-	21,129
	<b>6,810,885</b>	<b>1,615,092</b>	<b>145,914</b>	<b>8,571,891</b>

The table below analyses financial instruments measured at fair value as at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The amounts are based on the values recognised in the statement of financial position:

<b>‘000 KZT</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial instruments measured at fair value through profit or loss				
- Debt and other fixed income instruments	213,811	882,446	-	1,096,257
- Debt and other floating income instruments	-	-	-	-
- Equity instruments	1,108,582	-	145,914	1,254,496
Financial assets measured at fair value through other comprehensive income				
- Debt and other fixed income instruments	1,543,160	1,669,316	-	3,212,476
- Debt and other floating income instruments	-	15,782	-	15,782
- Equity instruments	-	51,024	-	51,024
	<b>2,865,553</b>	<b>2,618,568</b>	<b>145,914</b>	<b>5,630,035</b>

The following table shows a reconciliation for the year ended 31 December 2020 for fair value measurements in Level 3 of the fair value hierarchy:

<b>‘000 KZT</b>	<b>Equity instruments</b>
Balance at 1 January 2020	145,914
Transferred to instruments of Level 3	-
Net loss on financial instruments at fair value through profit or loss	-
<b>Balance at 31 December 2020</b>	<b>145,914</b>

As at 31 December 2020 and 31 December 2019 the Company’s investments in equity instruments categorised as Level 3 in the fair value hierarchy comprise ordinary shares and preference shares of First Heartland Jusan Bank JSC. To determine the fair value, the Company has applied a market multipliers method.

The table below sets out information about significant unobservable inputs used at year end in the measuring of fair value of net assets categorised as level 3 in the fair value hierarchy as at 31 December 2020 and 31 December 2019, together with a sensitivity analysis for shifts in these inputs which the Company considers were reasonably possible at the reporting date, assuming all other variables remain unchanged.

	Fair value of net assets (ownership interest)	Valuation technique	Significant unobservable inputs	Reasonable shift	Fair value measurement sensitivity to shifts in unobservable inputs
31 December 2020	145,914	Market multiplier method	Price/ carrying amount ratio	+/- 1%	1,459
			Adjustment to NAV	+/- 5%	7,296
31 December 2019	145,914	Market multiplier method	Price/ carrying amount ratio	+/- 1%	1,459
			Adjustment to NAV	+/- 5%	7,296

Securities, which are listed on the Kazakhstan Stock Exchange, but which do not have an active market as at 31 December 2020 and 2019, are categorised as Level 2 in the fair value hierarchy.

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

‘000 KZT	Level 2	Total fair values	Total carrying amount
<b>ASSETS</b>			
Cash and cash equivalents	485,864	485,864	485,864
Trade and other receivables	32,950	32,950	32,950
Dividends receivable	24,731	24,731	24,731
	<b>543,545</b>	<b>543,545</b>	<b>543,545</b>

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2019:

‘000 KZT	Level 2	Total fair values	Total carrying amount
<b>ASSETS</b>			
Cash and cash equivalents	307,357	307,357	307,357
Placements with banks	100	100	100
Trade and other receivables	11,097	11,097	11,097
Dividends receivable	24,731	24,731	24,731
	<b>343,285</b>	<b>343,285</b>	<b>343,285</b>

## 25 Subsequent events

On 8 January 2021 the Company signed an investment portfolio management agreement with Jysan Ventures LLP.

On 18 February 2021 the Company signed a trust management agreement with Unified Accumulative Pension Fund JSC for pension assets management.

On 31 January 2021 amendments and additions came into force to the rules of interval mutual investment funds: “Sovereign”, “Liquidniy”, “Regional Leaders”, “Protseptniy” and “Global Leaders”, according to which names of the Funds were changed to “harMONEY”, “abyROI”, “doSTAR”, “álLEM”, “allGA”, respectively.

**Supplementary information to the financial statements**  
for the year ended 31 December 2020

This Supplementary Information about interval mutual investment funds (the “IMIF”) and close-end mutual investment funds of risky investment (the “CMIFRI”) has been prepared by Jusan Invest JSC (the “Company”) in accordance with the Rules for Investment Portfolio Management No. 10 dated 3 February 2014 approved by the Management Board of the National Bank of Kazakhstan. Presented below is financial information on the mutual investment funds managed by the Company. These amounts represent customers’ funds.

**Management of interval mutual investment funds**

The Company has five interval mutual investment funds (the “IMIF”) under its management, namely: IMIF “Global Leaders”, IMIF “Liquidniy”, IMIF “Protsentniy”, IMIF “Regional Leaders” and IMIF “Sovereign”.

*Statement of net assets of IMIF “Global Leaders” (‘000 KZT)*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	21,191,103	672
Securities	404,051	1,569,734
Other assets	326,975	645
<b>Total assets</b>	<b>21,922,129</b>	<b>1,571,051</b>
<b>Liabilities</b>		
Payables under fund asset management	1,360	1,755
Payables under custodian services	54	587
Other liabilities	0	8
<b>Total liabilities</b>	<b>1,414</b>	<b>2,350</b>
<b>Net assets</b>	<b>21,920,715</b>	<b>1,568,701</b>

As at 31 December 2020 the value of the unit amounted to USD 1,085.46 or KZT 456,881.77 (as at 31 December 2019 the value of the unit amounted to USD 1,025.05 or KZT 392,175.29). Nominal value of the unit amounted to USD 1,000.

*Statement of changes in net assets of IMIF “Global Leaders” (‘000 KZT)*

	<b>Period from 31 December 2019 till 31 December 2020</b>
<b>Net assets at the beginning of the period</b>	<b>1,568,701</b>
Contributions by investors	20,182,160
Interest income	31,269
Net (loss)/gain on securities	(10,446)
Net gain on foreign currency revaluation	155,029
Other income/(expense)	864
Fee and commission expenses on asset management	(5,757)
Fee and commission expenses on custodian and registrar services	(896)
Fee and commission expenses on other entities	(209)
<b>Change in net assets for the period</b>	<b>20,352,014</b>
<b>Net assets at the end of the period</b>	<b>21,920,715</b>

### Management of interval mutual investment funds, continued

#### *Statement of net assets of IMIF "Liquidniy" ('000 KZT)*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	86,244	11,295
Securities	352,797	3,938,265
Other assets	30,413	18,758
<b>Total assets</b>	<b>469,454</b>	<b>3,968,318</b>
<b>Liabilities</b>		
Payables under fund asset management	41	1,689
Payables under custodian services	11	686
Other liabilities	105	-
<b>Total liabilities</b>	<b>157</b>	<b>2,375</b>
<b>Net assets</b>	<b>469,297</b>	<b>3,965,943</b>

As at 31 December 2020 the value of the unit amounted to USD 1,037.27 or KZT 436,596.39 (as at 31 December 2019 the value of the unit amounted to USD 1,025.62 or KZT 392,392.39). Nominal value of the unit amounted to USD 1,000.

#### *Statement of changes in net assets of IMIF "Liquidniy" ('000 KZT)*

	<b>Period from 31 December 2019 till 31 December 2020</b>
<b>Net assets at the beginning of the period</b>	<b>3,965,943</b>
Contributions by investors	(3,906,066)
Interest income	57,433
Net (loss)/gain on securities	(31,621)
Net gain on foreign currency revaluation	392,582
Other income/(expense)	2,529
Fee and commission expenses on asset management	(8,835)
Fee and commission expenses on custodian and registrar services	(1,173)
Fee and commission expenses on other entities	(1,495)
<b>Change in net assets for the period</b>	<b>(3,496,646)</b>
<b>Net assets at the end of the period</b>	<b>469,297</b>

#### *Statement of net assets of IMIF "Protsentniy" ('000 KZT)*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	8,671	39,749
Securities	4,993,580	6,234,659
Other assets	358,156	45,851
<b>Total assets</b>	<b>5,360,407</b>	<b>6,320,259</b>
<b>Liabilities</b>		
Payables under fund asset management	453	4,282
Payables under custodian services	116	821
Other liabilities	261	20
<b>Total liabilities</b>	<b>830</b>	<b>5,123</b>
<b>Net assets</b>	<b>5,359,577</b>	<b>6,315,136</b>

As at 31 December 2020 the value of the unit amounted to USD 1,050.32 or KZT 442,090.67 (as at 31 December 2019 the value of the unit amounted to USD 1,048.03 or KZT 400,966.19). Nominal value of the unit amounted to USD 1,000.

### Management of interval mutual investment funds, continued

#### Statement of changes in net assets of IMIF “Protsentniy” (‘000 KZT)

	<b>Period from 31 December 2019 till 31 December 2020</b>
<b>Net assets at the beginning of the period</b>	<b>6,315,136</b>
Contributions by investors	(1,567,876)
Interest income	291,200
Net gain on securities	(238,573)
Net gain on foreign currency revaluation	639,305
Other income/(expense)	(35,560)
Fee and commission expenses on asset management	(38,175)
Fee and commission expenses on custodian and registrar services	(2,400)
Fee and commission expenses on brokerage services	(3,480)
<b>Change in net assets for the period</b>	<b>(955,559)</b>
<b>Net assets at the end of the period</b>	<b>5,359,577</b>

#### Statement of net assets of IMIF “Regional Leaders” (‘000 KZT)

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	6,778	2,531
Securities	126,597	200,664
Other assets	80,766	-
Reverse repurchase agreements	15,027	-
<b>Total assets</b>	<b>229,168</b>	<b>203,195</b>
<b>Liabilities</b>		
Payables under fund asset management	39	34
Payables under custodian services	10	9
Other liabilities	1	9
<b>Total liabilities</b>	<b>50</b>	<b>52</b>
<b>Net assets</b>	<b>229,118</b>	<b>203,143</b>

As at 31 December 2020 the value of unit amounted to KZT 12,274.08 (as at 31 December 2019: KZT 10,980.69). Nominal value of the unit amounted to KZT 10,000.

#### Statement of changes in net assets of IMIF “Regional Leaders” (‘000 KZT)

	<b>Period from 31 December 2019 till 31 December 2020</b>
<b>Net assets at the beginning of the period</b>	<b>203,143</b>
Contributions by investors	2,000
Interest income	16,278
Gain on reverse repurchase agreements	48
Net gain on securities	9,832
Net gain on foreign currency revaluation	(1,500)
Other income/(expenses)	72
Fee and commission expenses on asset management	(426)
Fee and commission expenses on custodian and registrar services	(243)
Fee and commission expenses on brokerage services	(86)
<b>Change in net assets for the period</b>	<b>25,975</b>
<b>Net assets at the end of the period</b>	<b>229,118</b>



### Management of interval mutual investment funds, continued

#### Statement of net assets of IMIF "Sovereign" ('000 KZT)

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	133	436
Securities	200,318	203,005
Reverse repurchase agreements	21,038	-
Other assets	-	-
<b>Total assets</b>	<b>221,489</b>	<b>203,441</b>
<b>Liabilities</b>		
Payables under fund asset management	37	34
Payables under custodian services	11	9
Other liabilities	19	13
<b>Total liabilities</b>	<b>67</b>	<b>56</b>
<b>Net assets</b>	<b>221,422</b>	<b>203,385</b>

As at 31 December 2020 the value of the unit amounted to KZT 11,860.45 (as at 31 December 2019: KZT 10,993.78). Nominal value of the unit amounted to KZT 10,000.

#### Statement of changes in net assets of IMIF "Sovereign" ('000 KZT)

	<b>Period from 31 December 2019 till 31 December 2020</b>
<b>Net assets at the beginning of the period</b>	<b>203,385</b>
Contributions by investors	2,000
Interest income	15,436
Net gain on securities	2,293
Income earned on reverse repurchase agreements	258
Net gain on foreign currency revaluation	(1,312)
Other income/(expenses)	83
Fee and commission expenses on asset management	(422)
Fee and commission expenses on custodian and registrar services	(190)
Fee and commission expenses on other entities	(109)
<b>Change in net assets for the period</b>	<b>18,037</b>
<b>Net assets at the end of the period</b>	<b>221,422</b>

### Management of close mutual investment funds of risky investment

During the year ended 31 December 2020 the Company managed one CMIFRI “Global Investments” and CMIFRI “Tsesna – Pryamy Investitsiyi” (31 December 2019: two).

*Statement of net assets of CMIFRI “Tsesna – Pryamy Investitsiyi” (‘000 KZT)*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Cash and cash equivalents	35,678	54,730
Securities	37,258	35,376
Reverse repurchase agreements	20,066	-
Other assets	19,862	30,768
<b>Total assets</b>	<b>112,864</b>	<b>120,874</b>
<b>Liabilities</b>		
Payables under fund asset management	250	250
Payables under custodian services	44	42
Other liabilities	104	328
<b>Total liabilities</b>	<b>398</b>	<b>620</b>
<b>Net assets</b>	<b>112,466</b>	<b>120,254</b>

As at 31 December 2020 the value of the unit amounted to KZT 111,901.45 (as at 31 December 2019: KZT 119,649.68). Nominal value of the unit amounted to KZT 100,000.

*Statement of changes in net assets of CMIFRI “Tsesna – Pryamy Investitsiyi” (‘000 KZT)*

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Net assets at the beginning of the period</b>	<b>120,254</b>	<b>134,008</b>
Interest income	2,180	1,907
Net gain on securities	7,109	(1,534)
Net gain on foreign currency revaluation	(14,724)	
Income earned on reverse repurchase agreements	1,597	1,816
Other income/(expenses)	9	(12,311)
Fee and commission expenses on asset management	(3,000)	(3,000)
Fee and commission expenses on custodian and registrar services	(819)	(632)
Fee and commission expenses on other entities	(140)	
<b>Change in net assets for the period</b>	<b>(7,788)</b>	<b>(13,754)</b>
<b>Net assets at the end of the period</b>	<b>112,466</b>	<b>120,254</b>