JOINT STOCK COMPANY UNIFIED ACCUMULATIVE PENSION FUND

Financial Statements and
Independent Auditor's Report
For the year ended 31 December 2020

Joint Stock Company Unified Accumulative Pension Fund

Contents

Joint Stock Company Unified Accumulative Pension Fund

Statement of Management's Responsibilities
For the Preparation and Approval of the Financial Statements
For the year ended 31 December 2020

Management of Joint Stock Company Unified Accumulative Pension Fund ("the Fund") is responsible for the preparation of the financial statements that present fairly the financial position of the Fund as at 31 December 2020, and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements ("the financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Fund's financial position and financial performance; and
- Making an assessment of the Fund's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Fund;
- Maintaining adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund, and which enable them to ensure that the financial statements of the Fund comply with IFRS;
- Maintaining accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Fund; and
- Detecting and preventing fraud and other irregularities.

The financial statements of the Fund for the year ended 31 December 2020 were authorized for issue by the Management of the Fund on 16 March 2021.

On behalf of the Management Board:

Kurmanov Zhanat Bostanovich
Chairperson of the Management Board

16 March 2021
Almaty

Sarinova Amankul Zhaksylykovna
Chief Accountant - Accounting Department Director

16 March 2021
Almaty

Deloitte.

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Independent Auditor's Report

To the Shareholder of Joint Stock Company Unified Accumulative Pension Fund

Opinion

We have audited the financial statements of Joint Stock Company Unified Accumulative Pension Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund 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 ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "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.

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 IFRSs, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund 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.

Zhangir Zhilysbayev
General Director
Deloitte LLP
State license on auditing in the
Republic of Kazakhstan
№0000015, type MFU - 2, given by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

Roman Sattarov
Engagement Partner
Qualified Auditor of the Republic of Kazakhstan
Qualification certificate №MF-0000149
dated 31 May 2013
Deloitte LLP

16 March 2021
Almaty

Joint Stock Company Unified Accumulative Pension Fund

Statement of Profit or Loss and Other Comprehensive Income
For the year Ended 31 December 2020
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Commission income	5, 24	42,656,240	58,010,578
Commission expense	6, 24	(11,170,037)	(9,596,562)
Net commission income		**31,486,203**	**48,414,016**
Net interest income	7, 24	15,224,791	11,849,268
Recovery of provision for impairment losses	20	136,239	690,509
Net foreign exchange loss		(794)	(609)
Other operating expense, net	24	(620,739)	(83,883)
Operating income		**46,225,700**	**60,869,301**
Personnel expenses	8, 24	(7,841,400)	(7,900,275)
General administrative expenses	9, 24	(3,789,539)	(3,999,522)
Profit before income tax		**34,594,761**	**48,969,504**
Income tax expense	10, 24	(4,104,513)	(7,599,208)
Net profit		**30,490,248**	**41,370,296**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property and equipment (net of income tax 2020: KZT 10,002 thousand KZT 12,156 thousand, 2019: KZT 12,156 thousand)		50,011	60,782
Other comprehensive income		**50,011**	**60,782**
Total comprehensive income		**30,540,259**	**41,431,078**

On behalf of the Management Board:

Kurmanov Zhanat Bostanovich
Chairperson of the Management Board

16 March 2021
Almaty

Sarinova Amankul Zhaksylykovna
Chief Accountant – Accounting Department Director

16 March 2021
Almaty

The notes on pages 9-44 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Financial Position
As at 31 December 2020
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and deposits with the National Bank of the Republic of Kazakhstan	11, 24	17,385,161	18,182,738
Financial assets at amortised cost	12, 24	172,838,507	142,768,315
Commission receivable	13, 24	1,948,749	5,227,942
Current tax asset	24	3,297,657	12,796
Property, equipment and intangible assets	14	6,557,527	4,218,710
Investment property	15	5,391,653	6,148,801
Rights-of-use assets	24	250,383	682,610
Deferred tax assets	10	412,588	259,235
Other assets	16, 24	1,027,861	1,067,197
Total assets		**209,110,086**	**178,568,344**
LIABILITIES AND EQUITY			
Commission payable to NBRK for fiduciary management of the Plan	17, 24	659,059	602,372
Lease liabilities	24	318,030	764,449
Other liabilities	18, 24	1,972,543	1,611,049
Total liabilities		**2,949,632**	**2,977,870**
EQUITY			
Share capital	19	7,114,244	7,114,244
Statutory reserve	19	4,056,517	4,056,517
Revaluation reserve for property and equipment		140,474	70,386
Retained earnings		194,849,219	164,349,327
Total equity		**206,160,454**	**175,590,474**
Total liabilities and equity		**209,110,086**	**178,568,344**

On behalf of the Management Board:

Kurmanov Zhanat Bostanovich
Chairperson of the Management Board

16 March 2021
Almaty

Sarinova Amankul Zhaksylykovna
Chief Accountant – Accounting Department Director

16 March 2021
Almaty

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Joint Stock Company Unified Accumulative Pension Fund

Statement of Changes in Equity
For the year ended 31 December 2020
(in thousands of Kazakhstani Tenge)

	Share capital	Statutory reserve	Revaluation reserve for property and equipment	Retained earnings	Total
As at 31 December 2018	**7,114,244**	**4,056,517**	**27,976**	**122,979,933**	**134,178,670**
The effect of applying IFRS 16	-	-	-	(19,274)	(19,274)
Profit for the year	-	-	-	41,370,296	41,370,296
Transfer from revaluation reserve for property and equipment	-	-	(18,372)	18,372	-
Other comprehensive income	-	-	60,782	-	60,782
As at 31 December 2019	**7,114,244**	**4,056,517**	**70,386**	**164,349,327**	**175,590,474**
Profit for the year	-	-	-	30,490,248	30,490,248
Transfer from revaluation reserve for property and equipment	-	-	20,077	(20,077)	-
Other comprehensive income	-	-	50,011	-	50,011
Other	-	-	-	29,721	29,721
As at 31 December 2020	**7,114,244**	**4,056,517**	**140,474**	**194,849,219**	**206,160,454**

On behalf of the Management Board:

Kurmanov Zhanat Bostanovich
Chairperson of the Management Board

16 March 2021
Almaty

Sarinova Amankul Zhaksylykovna
Chief Accountant – Accounting Department Director

16 March 2021
Almaty

The notes on pages 9-44 form an integral part of these financial statements.

Joint Stock Company Unified Accumulative Pension Fund

Statement of Cash Flows
For the year ended 31 December 2020
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**34,594,761**	**48,969,504**
Adjustments for:			
Depreciation and amortisation	9, 14	1,047,742	1,114,749
Depreciation and amortisation of rights-of-use assets	9	624,328	559,752
Loss on disposal of property, equipment and intangible assets	14	551	7,005
Loss on revaluation of property, equipment	14	851,402	223,732
Loss on disposal of investment property	15	366,300	-
(Gain)/loss on revaluation of investment property	15	(194,323)	459,914
Recovery of provision for impairment loss	20	(136,239)	(690,509)
Net foreign exchange loss		794	609
Net interest income	7	(15,224,791)	(11,849,268)
Other adjustments		50,011	60,782
Decrease/(increase) in operating assets			
Commission receivable		3,279,193	1,501,465
Other assets		(57,765)	(249,832)
Increase/(decrease) in operating liabilities			
Commission payable to NBRK for fiduciary management of the Plan		56,687	31,284
Lease liabilities		(56,052)	(247,396)
Other liabilities		361,418	(123,132)
Cash inflow from operations before income taxes		**25,564,017**	**39,768,659**
Income tax paid		(7,542,727)	(7,281,820)
Net cash inflow from operating activities		**18,021,290**	**32,486,839**
CASH FROM INVESTING ACTIVITIES			
Placements of deposits with the National Bank of the Republic of Kazakhstan		(2,544,451,000)	(2,633,697,000)
Proceeds from deposits with the National Bank of the Republic of Kazakhstan		2,545,413,991	2,622,424,095
Acquisition of financial assets at amortised cost		(108,820,021)	(275,494,445)
Maturity of financial assets at amortised cost		81,620,472	245,988,239
Purchases of property, equipment and intangible assets	14	(4,102,355)	(1,131,886)
Interest received		12,438,837	8,931,501
Proceeds from investment property	15	585,171	31,838
Net cash outflow from investing activities		**(17,314,905)**	**(32,947,658)**
CASH FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(639,782)	(339,333)
Net cash used in financing activities		**(639,782)**	**(339,333)**
Net decrease in cash and cash equivalents		**66,603**	**(800,152)**
Effect of changes in exchange rates on cash and cash equivalents		(934)	(620)
Cash and cash equivalents as at the beginning of the year	11	**315,514**	**1,116,286**
Cash and cash equivalents as at the end of the year	11	**381,183**	**315,514**

On behalf of the Management Board:

Kurmanov Zhanat Bostanovich
Chairperson of the Management Board

16 March 2021
Almaty

Sarinova Amankul Zhaksylykovna
Chief Accountant – Accounting Department Director

16 March 2021
Almaty

The notes on pages 9-44 form an integral part of these financial statements.

1. Organization

Organization and operations

JSC Unified Accumulative Pension Fund (hereinafter -"the Fund") initially was incorporated on 17 December 1997 by the Government of the Republic of Kazakhstan as CJSC "State Accumulative Pension Fund" in accordance with Decree No. 1372 dated 24 September 1997. The Fund was established under the pension reform undertaken in the Republic of Kazakhstan in 1997, in the transition to a defined contribution pension system. On 1 February 2005, the Fund was re-registered as JSC "Accumulative Pension Fund "SAPF".

On 21 June 2013, the new edition of the Law of the Republic of Kazakhstan "On pensions in the Republic of Kazakhstan" (hereinafter - "the Law on pensions") was approved. In accordance with the Law on Pension Provisions, attraction of compulsory pension and compulsory professional pension contributions in the Republic of Kazakhstan, as well as the implementation of pension payments at the expense of compulsory pension contributions and compulsory professional pension contributions must be carried out by the Fund, and all pension assets and liabilities accumulated by that time other accumulative pension funds were to be transferred to the Fund. The transfer of pension assets and liabilities started on 11 October 2013 and ended on 26 June 2014.

On 31 July 2013, the Government of the Republic of Kazakhstan issued a Decree No. 747 on the rename of the JSC "Accumulative Pension Fund "SAPF" to non-commercial JSC "Unified Accumulative Pension Fund". On 22 August 2013, the Fund was re-registered as JSC "Unified Accumulative Pension Fund" due to the change in its name. According to the Charter and the Law on pensions, the Fund is a not-for-profit organisation, consequently, the Fund does not declare and pay any dividends on its shares. The sole shareholder of the Fund in accordance with the Law on pensions is the Government of the Republic of Kazakhstan, represented by the Committee of State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan (hereinafter - "the CSPP"). In accordance with the Law on pensions and the Agreement on fiduciary management signed by the National Bank of Republic of Kazakhstan (hereinafter - "the NBRK") on 24 September 2013 and by the CSPP on 25 September 2013, the state portfolio of shares of the Fund was passed under the fiduciary management to the NBRK. In accordance with the Agreement on fiduciary management signed by National Bank of the Republic of Kazakhstan No. 362 dated 26 August 2013, custody, accounting and investment management of pension assets accumulated at the Fund is performed by the NBRK.

The Fund performs the function of pension funds accumulation for the pension plan assets (hereinafter – "the Plan"). In accordance with the Law on pensions and the Charter, the principal activities of the Fund are:

- attraction of mandatory pension contributions, mandatory professional pension contributions, voluntary pension contributions;
- payment of accumulated pensions.

As at 31 December 2020 and 2019, the Plan's pension assets were held in the custody of the NBRK.

In accordance with the Law on pensions, the Fund is authorised to receive a commission from the Plan not exceeding 7.5% of investment income on pension plan assets and not exceeding 0.025% per month of total pension assets.

In accordance with Article 53 of the Law on pensions, the Management Board of the NBRK issued a Resolution "On setting the commission fee of JSC "Unified Accumulative Pension Fund" for 2020 No. 179 dated 11 November 2019. In accordance with this Resolution, starting from 1 January 2020, the Plan pays a commission fee of 2% from the total amount of the investment income (2019 – 5%), 0.011% from the total amount of the pension assets (2019 – 0.015%).

In 2020, the Fund received commission income on investment income from pension plan assets of 2.00% (2019: 5.00%). The calculation and accrual of commission income is made in accordance with the Rules for charging commissions by the unified accumulative pension fund approved by the Resolution of the National Bank of the Republic of Kazakhstan No. 185 dated 26 July 2013, on a monthly basis and the investment income from the Pension Plan assets accrued for the month is used to calculate the results of which the value of the Pension Plan assets is calculated, which is used for the calculation of the commission income of the Pension Plan assets.

In 2020, the Fund received commission income of 0.011% per month on pension plan assets (2019: 0.015% per month). The calculation is performed on a monthly basis and for the calculation the Plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the Plan uses the value of pension plan assets without accrual of investment income from pension plan assets estimated in accordance with the Rules "On accounting and valuation of pension assets" developed by the NBRK in Decree No. 24 dated 26 February 2014 (hereinafter - "the Valuation Rules").

Commission income rates on pension plan assets and on investment income from pension plan assets for 2019 were determined in accordance with Regulation No. 279 of the Management Board of the NBRK dated 29 October 2018.

Commission expenses rates on pension plan assets and on investment income from pension plan assets for 2020 were determined in accordance with regulation No. 179 of the Management Board of the NBRK dated 11 November 2019.

In addition to accounting of the Plan's assets, the Fund conducts operations with its own assets, which are reflected in the current financial statements. The pension plan's assets are disclosed in the financial statements of the Plan's pension assets and are not reflected in these financial statements in accordance with the Pension Law, the Fund maintains accounting and prepares financial statements, as well as presents financial and other statements, primary statistical data to NBRK separately for:

- Pension plan assets formed from compulsory pension contributions, compulsory professional pension contributions and voluntary pension contributions;
- Own assets intended to ensure the financial and economic activities of the Fund.

The Fund's legal address is Republic of Kazakhstan, Almaty, 223 Nazarbayev Avenue, 247, zip code A15T6M5. As at 31 December 2020 and 2019, the Fund had 19 and 18 branches operating in the Republic of Kazakhstan, respectively.

As at 31 December 2020 and 2019, the Fund had 1,566 and 1,584 employees, respectively.

Shareholder

As at 31 December 2020 and 2019, the sole shareholder of the Fund was the Government of the Republic of Kazakhstan represented by the CSPP.

2. Significant accounting policies

Statement of compliance

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

These financial statements have been prepared assuming that the Fund is a going concern and will continue operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand"), unless otherwise indicated.

Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments.

Exchange rates for the currencies in which the Fund transacts were as follows:

	31 December 2020	31 December 2019
KZT/1 US Dollar (USD)	420.91	382.59
KZT/1 Euro (EUR)	516.79	429
KZT/1 Russian Ruble (RUR)	5.62	6.16

The same accounting policies, presentation and methods of computation have been followed the year ended 31 December 2020 as were applied in the preparation of the Fund's financial statements for the year ended 31 December 2019.

Net interest income

Interest income for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognised as Interest income in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see Net gain/(loss) on financial assets at FVTPL.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Fee and commission income/expense

Fee and commission income include fees other than those that are an integral part of EIR (see above). Calculation of fee and commission income is disclosed in Note 1. The costs of services and fees to be paid are recognized when services are received. Commission expenses include the basic commission calculated differentially, depending on the group of the portfolio of financial instruments (from 0 to 0.06% per month), in accordance with Appendix 1 to the Agreement on trust management services for pension assets of Fund No. 362NB dated 26 August 2013.

Net gain/(loss) on financial assets at FVTPL

Net gain/(loss) on financial assets at FVTPL includes all gains and losses from changes in the fair value of financial assets.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Debt instruments at amortized cost or at FVTOCI

The Fund assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Fund's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of 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, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Fund determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Fund's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Fund has more than one business model for managing its financial instruments that reflect how the Fund manages its financial assets in order to generate cash flows. The Fund's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Fund considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Fund does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Fund takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Fund determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Fund reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Fund has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not solely SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Reclassifications

If the business model under which the Fund holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Fund's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Impairment

The Fund recognizes loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Cash and deposits with the National Bank of the Republic of Kazakhstan;
- Financial assets at amortised cost;
- Other assets.

No impairment loss is recognized on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Fund under the contract and the cash flows that the Fund expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Fund assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Fund considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Significant increase in credit risk

The Fund monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Fund will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Fund's historical experience and expert credit assessment including forward-looking information.

The Fund allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Fund uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Fund still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Fund assesses whether this modification results in derecognition. In accordance with the Fund's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Fund considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Fund determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

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

The Fund derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

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:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 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 is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Functional currency

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The presentational currency of the financial statements of the Fund is the Kazakhstani tenge ("KZT"). All values are rounded to the nearest thousand tenge, except when otherwise indicated.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponded and term deposits with the National Bank of the Republic of Kazakhstan with original maturity of less or equal to 3 months and amounts due from credit institutions with original maturity of less or equal to 3 months and are free from contractual encumbrances.

Property and equipment

Land and buildings held for supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land owned by the Fund is not depreciated.

Transport, fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(in thousands of Kazakhstani Tenge)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings	2.5%
Computer equipment	20-50%
Office equipment	4.0-100.0%
Transport	14.3% - 20.0%
Licenses	10%-100.0%
Software	10%-100.0%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets

Intangible assets created by own resources - research and development work. Expenditure on research activities is recognized as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Fund reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Fund's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Fund management reviewed the Fund's investment property portfolios and concluded that none of the Fund's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Fund's management has determined that the 'sale' presumption set out in the amendments to IAS 12 *Income Taxes* is not rebutted. As a result, the Fund has not recognised any deferred taxes on changes in fair value of the investment properties as the Fund is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operating taxes

The Republic of Kazakhstan, where the Fund operates also have various taxes, other than income tax, which are applied to the Fund's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Equity reserves

The reserves recorded in equity on the Fund's statement of financial position includes revaluation reserve for property and equipment.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Fund's accounting policies the Fund management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(in thousands of Kazakhstani Tenge)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Significant increase of credit risk

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Fund takes into account qualitative and quantitative reasonable and supportable forward looking information.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Fund effective 1 January 2020:

Amendments to IFRS 9, IFRS 7	*Basic interest rate reform*
Amendments to IAS 1 and IAS 8	*Definition of Materiality*
Conceptual Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*

The above standards and interpretations were reviewed by the Fund's management, but did not have a significant effect on the financial statements of the Fund.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	*Classification of Liabilities as Short-Term or Long-Term*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to IAS 16	*Property and equipment - Proceeds before Intended Use*
Amendments to IAS 37	*Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16.	*Annual Improvements to IFRS 2018-2020 cycles*

The management of the Fund do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Fund in future periods.

(in thousands of Kazakhstani Tenge)

5. Commission income

	Year ended 31 December 2020	Year ended 31 December 2019
Commission from investment income on Pension Plan assets	27,797,468	40,563,014
Commission on Pension Plan assets	14,858,772	17,447,564
Total commission income	**42,656,240**	**58,010,578**

In accordance with the Law on pensions, the Fund is authorised to receive a commission from the Plan not exceeding 7.5% of investment income from pension plan assets and not exceeding 0.025% per month of total pension assets.

In 2020, the Fund received commission income on investment income from pension plan assets of 2.00% (2019: 5.00%). The calculation and accrual of commission income is made on a monthly basis and the investment income from the Pension Plan assets accrued for the month is used to calculate the results of which the value of the Pension Plan assets is calculated, which is used for the calculation of the commission income of the Pension Plan assets.

In 2020, the Fund received commission income of 0.011% per month on pension plan assets (2019: 0.015% per month). The calculation is performed on a monthly basis and for the calculation the pension plan uses the value of the pension plan assets as at the first day of the month preceding the month for which the calculation and accrual of commission income is made. In the calculation, the pension plan uses the value of pension plan assets without accrued investment income.

Commission expenses rates on pension plan assets and on investment income from pension plan assets for 2020 were determined in accordance with regulation No. 179 of the Management Board of the NBRK dated 11 November 2019.

Commission income rates on pension plan assets and on investment income from pension plan assets for 2019 were determined in accordance with regulation No. 279 of the Management Board of the NBRK dated 29 October 2018.

6. Commission expense

	Year ended 31 December 2020	Year ended 31 December 2019
Fiduciary management of pension assets by the NBRK	7,170,045	6,110,040
Custody operations	3,400,548	2,912,685
Bank services	301,614	415,220
Other	297,830	158,617
Total commission expense	**11,170,037**	**9,596,562**

In 2020 and 2019, the Fund paid base commission to the NBRK, which was differentiated based on the financial instrument portfolio group (from 0 to 0.06% per month), in accordance with Appendix 1 to the State Procurement Agreement for the Fiduciary Management of the Fund No. 362NB dated 26 August 2013.

(in thousands of Kazakhstani Tenge)

Bank services represents services of second-tier banks related to transfers, accruals and payments of pension savings.

For the year ended 31 December 2020, the statement "Other" includes reimbursement of expenses to the State Corporation for the provision of pension payments in the amount of KZT 263,960 thousand (2019: 117,364 KZT) and payment order services for pension assets in the amount of KZT 33,870 thousand (2019: KZT 41,253 thousand).

7. Net interest income

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income comprises:		
Financial assets recorded at amortized cost:		
- unimpaired financial assets	15,282,741	11,939,635
Total interest income	**15,282,741**	**11,939,635**
Financial assets recorded at amortized cost comprises:		
Debt securities at amortized cost	14,240,474	10,717,098
Term deposits with the NBRK	1,042,267	1,222,537
Total interest income on financial assets recorded at amortized cost	**15,282,741**	**11,939,635**
Interest expense on lease liabilities	(57,950)	(90,367)
Net interest income before expected credit losses	**15,224,791**	**11,849,268**

The total interest income calculated using the EIR method for financial assets at for financial assets measured at amortized cost is KZT 15,282,741 thousand during the year ended 31 December 2020 (2019: KZT 11,939,635 thousand). The total interest expense calculated using the EIR method for financial liabilities measured at amortized cost is KZT 57,950 thousand during the year the year ended 31 December 2020 (2019: KZT 90,367 thousand).

8. Personnel expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Employee compensation	7,139,769	7,188,530
Payroll related taxes	701,631	711,745
Total personnel expenses	**7,841,400**	**7,900,275**

(in thousands of Kazakhstani Tenge)

9. General administrative expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation and amortization	1,047,742	1,114,749
Depreciation and amortization of right-of-use assets	624,328	559,752
Communications and information services	426,735	336,983
Repairs and maintenance	347,261	220,116
Post and information services for clients	201,065	270,471
Taxes other than income tax	143,828	119,028
Software support services	140,503	284,551
Insurance	139,381	89,867
Professional services	138,768	61,592
Utilities	106,291	113,436
Pension fund awareness services*	101,588	268,001
Transportation	85,047	96,985
Security	66,149	59,984
Bank services	28,917	30,410
Stationery	21,006	38,799
Membership fees	20,964	18,909
Travel expenses	18,902	105,009
Costs related to property, equipment	12,533	28,573
Fuel	10,777	6,790
Hospitality	839	1,649
Lease expenses	-	49,535
Other	106,915	124,333
Total general administrative expenses	**3,789,539**	**3,999,522**

*Pension fund awareness services include expenses for the production and placement of information materials in the media and other communication channels.

10. Income tax expense

The Fund calculates income tax for the current period on the basis of the tax accounting data that is carried out in accordance with the requirements of the tax legislation of the Republic of Kazakhstan in which the Fund operates, and these requirements may differ from IFRS.

Due to the fact that some types of the expenses are not taken into account for the tax purposes, and due to the availability of non-taxable income, the Fund has certain permanent tax differences.

(in thousands of Kazakhstani Tenge)

The deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts determined for the tax purposes. The temporary differences as at 31 December 2020 and 2019 are mainly related to different methods of income and expense recognition, as well as temporary differences arising from differences in the carrying value and tax value of certain assets.

	Year ended 31 December 2020	Year ended 31 December 2019
Current tax expense	(4,267,868)	(7,583,271)
Deferred taxation movement due to origination and reversal of temporary differences	163,355	(15,937)
Total income tax expense	**(4,104,513)**	**(7,599,208)**

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

Reconciliation of effective tax rate:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before income tax	**34,594,761**	**48,969,504**
Income tax at the applicable tax rate (20%)	(6,918,952)	(9,793,901)
Tax effect of non-taxable income on securities	2,529,447	1,821,699
Tax effect of other non-taxable income	284,992	372,994
Income tax expense	**(4,104,513)**	**(7,599,208)**

Net deferred tax assets as at 31 December 2020 and 2019 are presented as follows:

	31 December 2020	31 December 2019
Commission payable to NBRK for fiduciary management	131,812	120,474
Lease liability	63,606	152,890
Other liabilities	349,093	235,971
Investment property	(288,222)	(140,962)
Property, equipment and intangible asset	207,077	28,618
Right-of-use assets	(50,077)	(136,522)
Accrued costs	(701)	(1,234)
Net deferred tax assets	**412,588**	**259,235**

Deferred tax assets	**2020**	**2019**
As at January 1	**259,235**	**287,328**
Change in deferred income tax balances recognized in profit or loss	163,355	(15,937)
Change in deferred income tax balances recognized in other comprehensive income	(10,002)	(12,156)
As at 31 January	**412,588**	**259,235**

(in thousands of Kazakhstani Tenge)

11. Cash and deposits with the National Bank of the Republic of Kazakhstan

	31 December 2020	31 December 2019
Current accounts with banks	381,210	315,517
Term deposits with the NBRK	17,004,001	17,867,244
	17,385,211	**18,182,761**
Less: allowance for expected credit losses (Note 20)	(50)	(23)
Total cash and deposits with the National Bank of the Republic of Kazakhstan	**17,385,161**	**18,182,738**

As at 31 December 2020, cash and deposits with the NBRK included accrued interest income in the amount of KZT nil (31 December 2019: KZT 18,243 thousand).

Cash and cash equivalents for the purpose of the statement of cash flows comprise the following:

	31 December 2020	31 December 2019
Current accounts with banks:		
JSC Halyk Bank	380,714	314,666
Other banks	496	851
	381,210	**315,517**
Less: allowance for expected credit losses (Note 20)	(27)	(3)
Total current accounts with banks	**381,183**	**315,514**

12. Financial assets at amortized cost

	31 December 2020	31 December 2019
Debt securities	177,188,441	147,126,744
Less: allowance for expected credit losses (Note 20)	(4,349,934)	(4,358,429)
Total financial assets at amortized cost	**172,838,507**	**142,768,315**

(in thousands of Kazakhstani Tenge)

	31 December 2020	31 December 2019
Debt securities		
Government bonds		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	125,865,987	88,135,403
Notes of NBRK	2,936,783	9,899,219
Total government bonds	**128,802,770**	**98,034,622**
Corporate bonds		
Eurasian Development Bank	27,921,527	28,616,152
JSC Development Bank of Kazakhstan	6,047,250	6,047,250
JSC KazTransGaz Aimak	5,089,859	5,089,020
JSC National Managing Holding Baiterek	5,003,958	5,003,958
LLP Buzgul Aurum	4,323,077	4,335,742
Total corporate bonds	**48,385,671**	**49,092,122**
Total debt securities before allowance for expected credit losses	**177,188,441**	**147,126,744**
Less: allowance for expected credit losses (Note 20)	(4,349,934)	(4,358,429)
Total debt securities	**172,838,507**	**142,768,315**

As at 31 December 2020 and 2019, financial assets at amortised cost included accrued interest income in the amount of KZT 7,079,034 thousand and KZT 4,527,988 thousand, respectively.

13. Commission receivable

	31 December 2020	31 December 2019
Commission on Pension Plan assets	1,342,890	3,708,225
Commission from investment income on Pension Plan assets	605,859	1,519,717
Total commission receivable	**1,948,749**	**5,227,942**

(in thousands of Kazakhstani Tenge)

14. Property, equipment and intangible assets

	Property and Equipment					Intangible Assets		
	Land	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	Total
At revaluation/cost								
Balance at 1 January 2020	83,906	1,819,301	2,439,713	788,644	436,934	1,796,102	1,257,677	8,622,277
Additions	-	3,488,310	45,686	165,868	63,000	73,189	266,302	4,102,355
Disposals	-	-	(126,603)	(7,236)	-	-	-	(133,839)
(Impairment losses)/revaluation recognized in equity	(17,614)	110,238	-	-	(32,611)	-	-	60,013
Write-off at revaluation recognized in statement of profit or loss	(1,390)	(900,023)	-	-	(10,002)	-	-	(911,415)
Other	66,532	(66,532)	-	-	65,906	-	-	65,906
Balance at 31 December 2020	**131,434**	**4,451,294**	**2,358,796**	**947,276**	**523,227**	**1,869,291**	**1,523,979**	**11,805,297**
Depreciation and amortisation								
Balance at 1 January 2020	-	(19,980)	(1,659,952)	(415,356)	(26,370)	(1,121,776)	(1,160,133)	(4,403,567)
Depreciation and amortisation for the year	-	(96,054)	(344,192)	(124,449)	(88,365)	(303,046)	(91,636)	(1,047,742)
Disposals	-	-	126,603	6,685	-	-	-	133,288
Write-off at revaluation recognized in statement of profit or loss	-	106,436	-	-		-	-	106,436
Other	-	-	-	-	(36,185)	-	-	(36,185)
Balance at 31 December 2020	**-**	**(9,598)**	**(1,877,541)**	**(533,120)**	**(150,920)**	**(1,424,822)**	**(1,251,769)**	**(5,247,770)**
Carrying amount								
At 31 December 2020	**131,434**	**4,441,696**	**481,255**	**414,156**	**372,307**	**444,469**	**272,210**	**6,557,527**

(in thousands of Kazakhstani Tenge)

	Property and Equipment					Intangible Assets		
	Land	Building	Computer equipment	Office equipment	Vehicles	Licenses	Software	Total
At revaluation/cost								
Balance at 1 January 2019	186	1,064,147	2,269,779	687,424	136,669	1,407,762	1,253,020	6,818,987
Additions	-	36,016	255,210	116,790	330,200	423,811	5,875	1,167,902
Transfer from Investment Property	25,245	982,013	-	-	-	-	-	1,007,258
Disposals	(215)	-	(99,449)	(13,778)	(12,225)	(21,253)	(1,218)	(148,138)
Revaluation recognized in equity	40,628	7,892	-	-	24,418	-	-	72,938
Write-off at revaluation recognized in statement of profit or loss	-	(252,705)	(45)	(147)	(43,773)	-	-	(296,670)
Transfers	18,062	(18,062)	14,218	(1,645)	1,645	(14,218)	-	-
Balance at 31 December 2019	**83,906**	**1,819,301**	**2,439,713**	**788,644**	**436,934**	**1,796,102**	**1,257,677**	**8,622,277**
Depreciation and amortisation								
Balance at 1 January 2019	-	(12,754)	(1,380,591)	(291,647)	(7,847)	(818,271)	(986,025)	(3,497,135)
Depreciation and amortisation for the year	-	(46,706)	(378,723)	(137,299)	(51,937)	(324,758)	(175,326)	(1,114,749)
Disposals		-	99,362	13,590	5,710	21,253	1,218	141,133
Write-off at revaluation recognized in statement of profit or loss	-	39,480	-	-	27,704	-	-	67,184
Balance at 31 December 2019	**-**	**(19,980)**	**(1,659,952)**	**(415,356)**	**(26,370)**	**(1,121,776)**	**(1,160,133)**	**(4,403,567)**
Carrying amount								
At 31 December 2019	**83,906**	**1,799,321**	**779,761**	**373,288**	**410,564**	**674,326**	**97,544**	**4,218,710**

(in thousands of Kazakhstani Tenge)

15. Investment Property

	31 December 2020	31 December 2019
Beginning balance	6,148,801	7,647,811
Disposals	(951,471)	(31,838)
Transfer to Property and equipment	-	(1,007,258)
Net gain/(loss) on revaluation	194,323	(459,914)
Ending balance	**5,391,653**	**6,148,801**

In 2019, due to changes in Management's plan for the property, the Fund transferred the property for KZT 1,007,258 thousand to Property, equipment and intangible assets category.

Included into other operating income is investment property rental income for the years ended 31 December 2020 and 2019 in the amount of KZT 192,764 thousand and KZT 379,618 thousand, respectively.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2020 and 2019 were KZT 81,175 thousand and KZT 192,010 thousand, respectively. Operating expenses arising from the investment property that did not generate rental income during the year ended 31 December 2020 and 2019 were KZT 5,904 thousand and KZT 32,420 thousand, respectively.

As at 31 December 2020 and 2019, the fair value of investment property was included in the Level 3 in the amount of KZT 5,391,653 thousand and KZT 6,148,801 thousand, respectively.

The fair value was determined by independent appraisers. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during 2020.

16. Other assets

	31 December 2020	31 December 2019
Accrued interest receivables	237,500	237,500
Other accounts receivable	57,335	51,016
Rent receivable	10,436	40,386
Other financial assets	-	20,206
	305,271	**349,108**
Less: allowance for expected credit losses (Note 20)	(25,944)	(38,129)
Total other financial assets	**279,327**	**310,979**
Taxes other than income tax	339,082	365,601
Inventory	80,036	69,255
Advances paid	24,443	25,127
Other non-financial assets	304,973	296,235
Total other non-financial assets	**748,534**	**756,218**
Total other assets	**1,027,861**	**1,067,197**

(in thousands of Kazakhstani Tenge)

17. Commission payable to NBRK for fiduciary management of the Plan

	31 December 2020	31 December 2019
Commission payable to NBRK for fiduciary management of the Plan	659,059	602,372

As at 31 December 2020, the commission payable was recognised for the services received in December 2020 (Note 6), which was partially paid to the NBRK on 11 and 28 January 2021.

As at 31 December 2019, the commission payable was recognised for the services received in December 2019 (Note 6), which was partially paid to the NBRK on 21 and 27 January 2020.

18. Other liabilities

	31 December 2020	31 December 2019
Vacation reserve	152,280	120,955
Accounts payable	23,405	126,550
Other financial liabilities	1,243	883
Total other financial liabilities	**176,928**	**248,388**
Bonus reserve	756,831	653,230
Custody services	627,092	232,845
Taxes payable other than income tax	216,116	255,303
Consulting services	48,160	-
Communications and information services	11,636	9,399
Other non-financial liabilities	135,780	211,884
Total other non-financial liabilities	**1,795,615**	**1,362,661**
Total other liabilities	**1,972,543**	**1,611,049**

19. Share capital

Issued capital

As at 31 December 2020 and 2019, the issued and outstanding share capital comprised of 9,489,248 ordinary shares in the amount of KZT 7,114,244 thousand.

Statutory reserve

According to the Law of the Republic of Kazakhstan "On Joint Stock Companies" effective before amendments dated 8 July 2005, the Fund was required to maintain a reserve established from the net income of the Fund. Currently there is no requirement to continue to transfer from retained earnings to this statutory reserve.

(in thousands of Kazakhstani Tenge)

20. Allowances for expected credit losses

The tables below analyze information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance as well as the movement of the loss allowance per class of financial assets as follows:

	Financial assets at amortised cost (Note 12)		Other financial assets (Note 16)	Cash and deposits with NBRK (Note 11)	Banks deposits	
	Stage 1	**Stage 3**	**Stage 1**	**Stage 1**	**Stage 3**	**Total**
Gross carrying amount as at 31 December 2018	**109,695,673**	**4,922,576**	**100,258**	**7,572,884**	**15,459,086**	**137,750,477**
Changes in the gross carrying amount	33,095,329	(586,834)	248,870	10,609,877	(127,094)	43,240,148
- Transfer to stage 1	-	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-	-
Write-offs	-	-	(20)	-	-	(20)
Gross carrying amount as at 31 December 2019	**142,791,002**	**4,335,742**	**349,108**	**18,182,761**	**15,331,992**	**180,990,605**
Changes in the gross carrying amount	30,074,362	(12,665)	(41,436)	(797,550)	(117,986)	29,104,725
- Transfer to stage 1	-	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-	-
Write-offs	-	-	(2,401)	-	-	(2,401)
Gross carrying amount as at 31 December 2020	**172,865,364**	**4,323,077**	**305,271**	**17,385,211**	**15,214,006**	**210,092,929**

Bank deposits consist of deposits placed with JSC Delta Bank and JSC Kazinvestbank. Since 2016 these deposits were 100% provided for.

(in thousands of Kazakhstani Tenge)

The movements in accumulated allowances of financial assets at amortised cost, cash and deposits with NBRK, bank deposits, the allowances for impairment losses of interest bearing and other assets were as follows:

	Financial assets at amortised cost (Note 12)		Other financial assets (Note 16)	Cash and deposits with NBRK (Note 11)	Banks deposits	
	Stage 1	**Stage 3**	**Stage 1**	**Stage 1**	**Stage 3**	**Total**
Loss allowance as at 31 December 2018	**(21,717)**	**(4,922,577)**	**(15,690)**	**(32)**	**(15,459,086)**	**(20,419,102)**
- Transfer to stage 1	-	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-	-
New financial assets originated or purchased	(4,328)	-	-	(149)	-	(4,477)
Financial assets that have been derecognised	40	-	-	149	-	189
Change in credit risk parameters	3,318	586,835	(22,459)	9	127,094	694,797
Write-offs	-	-	20	-	-	20
Loss allowance as at 31 December 2019	**(22,687)**	**(4,335,742)**	**(38,129)**	**(23)**	**(15,331,992)**	**(19,728,573)**
- Transfer to stage 1	-	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-	-
New financial assets originated or purchased	(4,517)	-	-	(2,234)	-	(6,751)
Financial assets that have been derecognised	244	-	-	2,234	-	2,478
Change in credit risk parameters	104	12,665	9,784	(27)	117,986	140,512
Write-offs	-	-	2,401	-	-	2,401
Loss allowance as at 31 December 2020	**(26,856)**	**(4,323,077)**	**(25,944)**	**(50)**	**(15,214,005)**	**(19,589,933)**

21. Risk management

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

Risk management policies and procedures

The Fund's risk management policies aim to identify, analyse and manage the risks faced by the Fund, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. In accordance with the Trust Management Agreement for own assets of the Joint Stock Company "Unified Accumulative Pension Fund" dated 28 March 2018, its own assets were transferred to trust management of the NBRK (Trustee). In accordance with paragraph 2.1. The Trustee independently makes investment decisions in accordance with the investment strategy of the Fund and within the limits of the approved investment limits that are an integral part of the Trust Management Agreement. The risk management system uses an integrated approach that establishes control systems aimed at the timely detection, assessment and prevention of events that may cause a violation of the normal operation of the Fund. The Fund carries out post-monitoring of its own assets in management reporting, in which methods for assessing investment risks using various instruments are detailed and widely used. Review of reporting on the condition and exposure of the portfolios of own assets to financial risks is carried out on a monthly basis.

The Board of Directors of the Fund approves the internal policies and procedures of the Plan and has overall responsibility for the proper functioning of the risk management and internal control system. The Board approves internal regulatory documents on the minimization of non-financial risks, which use tools for self-assessment of operational risks, methods for monitoring key risk indicators (KRI), which are leading indicators and reflect potential sources of operational risks, internal management practices that are the division of authority, the determination of the responsibility of subjects of internal control with subsequent monitoring of operations at each stage of the process and with hierarchy/consistency mandatory procedures for coordination by responsible persons/managers and in the continuous monitoring of the internal control system in the Fund. The Fund appoints responsible persons within each division, whose duties include developing and regularly updating the matrix of business processes, assessing the potential and identified risks inherent in these business processes. Based on the results of using the above tools, within the framework of the operational risk management system, a risk mitigation plan is developed and approved, aimed both at eliminating the causes of risk realization and minimizing the consequences in case of risk events.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices. The Fund periodically performs post-monitoring of market risks of financial instruments transferred to trust management.

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 Fund 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.

(in thousands of Kazakhstani Tenge)

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As at 31 December 2020 and 2019, the Fund had no any financial assets and liabilities denominated in foreign currencies, except for a liability with one counterparty in the amount of KZT 13,139 thousand and KZT 39,139 thousand, respectively.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limits on portfolio concentration for one counterparty or a group of counterparties.

The Fund continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its counterparties. The review is based on the counterparty's most recent financial statements and other information otherwise obtained by the Fund.

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

	31 December 2020	31 December 2019
ASSETS		
Cash and deposits with the National Bank of the Republic of Kazakhstan	17,385,161	18,182,738
Financial assets at amortized cost	172,838,507	142,768,315
Commission receivable	1,948,749	5,227,942
Other financial assets	279,327	310,979

As at 31 December 2020, the Fund has three counterparties (Ministry of Finance of the Republic of Kazakhstan, NBRK and Development Bank of Kazakhstan), credit risk exposure to which exceeds 10% of the total equity (2019: three counterparties). The credit risk exposure for these counterparties as at 31 December 2020 is KZT 173,728,297 thousand (2019: KZT 144,504,177 thousand).

(in thousands of Kazakhstani Tenge)

The following table details credit ratings of financial assets held by the Fund that are neither past due nor impaired:

	≥BBB	<BBB	Credit Rating undefined	Total
31 December 2020				
Cash and deposits with the NBRK	-	17,385,161	-	17,385,161
Financial assets at amortized cost	27,917,113	144,921,394	-	172,838,507
Commission receivable	-	1,948,749	-	1,948,749
Other financial assets	5,703	237,370	36,254	279,327
31 December 2019				
Cash and deposits with the NBRK	-	18,182,738	-	18,182,738
Financial assets at amortized cost	28,608,671	114,159,644	-	142,768,315
Commission receivable	-	5,227,942	-	5,227,942
Other financial assets	-	240,686	70,293	310,979

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Fund maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due.

(in thousands of Kazakhstani Tenge)

The liquidity management is performed by the Fund and involves:

- analysis of liquidity of assets and liabilities of the Fund by types of securities, financial instruments and currencies;
- oversight of cash inflows and outflows of the Fund;
- assessment and control of liquidity risk of the Fund to ensure that sufficient liquidity is maintained within the Fund as a whole.

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Non-derivative financial assets						
Cash and deposits with the NBRK	17,385,161	-	-	-	-	17,385,161
Financial assets at amortized cost	1,225,264	3,392,275	20,757,026	48,652,481	98,811,461	172,838,507
Commission receivable	1,948,749	-	-	-	-	1,948,749
Other financial assets	279,097	230	-	-	-	279,327
Total financial assets	**20,838,271**	**3,392,505**	**20,757,026**	**48,652,481**	**98,811,461**	**192,451,744**
Non-derivative financial liabilities						
Commission payable to NBRK for fiduciary management of the Plan	610,279	-	48,780	-	-	659,059
Lease liabilities	318,030	-	-	-	-	318,030
Other financial liabilities	176,476	-	452	-	-	176,928
Total financial liabilities	**1,104,785**	**-**	**49,232**	**-**	**-**	**1,154,017**
Net position	**19,733,486**	**3,392,505**	**20,707,794**	**48,652,481**	**98,811,461**	**191,297,727**

(in thousands of Kazakhstani Tenge)

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

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Non-derivative financial assets						
Cash and deposits with the NBRK	18,182,738	-	-	-	-	18,182,738
Financial assets at amortized cost	5,702,718	5,853,966	4,057,327	56,696,558	70,457,746	142,768,315
Commission receivable	5,227,942	-	-	-	-	5,227,942
Other financial assets	260,217	3,493	17,553	29,716	-	310,979
Total financial assets	**29,373,615**	**5,857,459**	**4,074,880**	**56,726,274**	**70,457,746**	**166,489,974**
Non-derivative financial liabilities						
Commission payable to NBRK for fiduciary management of the Plan	543,201	-	59,171	-	-	602,372
Lease liabilities	38,334	48,658	469,713	207,744	-	764,449
Other financial liabilities	108,386	57,640	82,362	-	-	248,388
Total financial liabilities	**689,921**	**106,298**	**611,246**	**207,744**	**-**	**1,615,209**
Net position	**28,683,694**	**5,751,161**	**3,463,634**	**56,518,530**	**70,457,746**	**164,874,765**

As at 31 December 2020 and 2019, the financial liabilities are short-term in nature and, thus, do not differ from the undiscounted amounts payable.

22. Capital management

The Fund does not have any externally imposed capital requirements.

23. Contingencies

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 Fund does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Fund 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 of the Fund.

Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The last tax inspection was performed by tax authorities for the period from
2009 to 2013 years, and was completed in 2016.

Operating environment

Emerging markets such as Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

As the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of the Kazakhstani Tenge against major currencies.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in the announcement of a pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets.

Against the backdrop of growing uncertainty, there was a lack of confidence in the stability of the financial sector on the part of depositors, as well as domestic and foreign investors, which increased the risks of capital and liquidity outflow from emerging markets. In this regard, financial institutions had to have sufficient reserves to withstand the simultaneous pressure of several stress factors.

The introduced state of emergency regime and quarantine had a significant impact on the main indicators of the Accumulative Pension System in 2020. In the regional divisions of the Fund, during the period of strengthening of quarantine measures, non-contact and/or remote operation was carried out, during the period of relaxation of quarantine measures - full-time operation. The Fund, starting from March 2020, suspended its outreach activities through direct interaction with the population; from August 2020, it began outreach activities with the population online.

The state of emergency and quarantine restrictions influenced the activities of organizations, which, in turn, influenced the transfer of pension contributions. The amount of pension contributions depends on three factors: the number of payers, the regularity of payment of contributions during the year, the amount of income from which contributions are paid. So, in 2020, there is a decrease in the number of active contributors.

Management of the Fund is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Plan's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Fund might be significant.

(in thousands of Kazakhstani Tenge)

24. Related party transactions

As at 31 December 2020 and 2019, the ultimate controlling party of the Fund was the Government of the Republic of Kazakhstan, which owned 100% of shares of the Fund (Note 1).

Transactions with the members of the Management Board and Board of Directors

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

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefits	222,763	243,080
Total employee benefits	**222,763**	**243,080**

The above amounts include cash and non-cash benefits in respect of the members of the Management Board and Board of Directors of the Fund.

Transactions with other related parties

The outstanding balances as at 31 December 2020 and related profit or loss amounts of transactions for the year then ended with related parties are as follows:

	NBRK	Ministry of Finance of the Republic of Kazakhstan	Plan	Other	Total	Total per financial statements caption
Statement of financial position						
Assets						
Cash and deposits with NBRK	17,004,475	-	-	-	17,004,475	17,385,161
Financial assets at amortised cost	2,936,704	125,851,821	-	44,049,982	172,838,507	172,838,507
Commission receivable	-	-	1,948,749	-	1,948,749	1,948,749
Current tax assets	-	-	-	3,297,657	3,297,657	3,297,657
Rights-of-use assets	-	-	-	258	258	250,383
Other assets	-	-	-	579,859	579,859	1,027,861
Liabilities						
Commission payable to NBRK for fiduciary management of the Plan	659,059	-	-	-	659,059	659,059
Lease liabilities	-	-	-	542	542	318,030
Other liabilities	628,683	-	-	44,357	673,040	1,972,543
Statement of profit or loss and other comprehensive income						
Commission income	-	-	42,656,240	-	42,656,240	42,656,240
Commission expense	(10,604,463)	-	-	(295,160)	(10,899,623)	(11,170,037)
Net interest income	2,108,225	9,063,146	-	4,111,087	15,282,458	15,224,791
Other operating income/(expense), net	-	-	-	13,131	13,131	(620,739)
General administrative expenses	(18,224)	(2,222)	-	(480,523)	(500,969)	(3,789,539)
Current income tax expense	-	(4,257,865)	-	-	(4,257,866)	(4,104,513)

(in thousands of Kazakhstani Tenge)

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

	NBRK	Ministry of Finance of the Republic of Kazakhstan	Plan	Other	Total	Total per financial statements caption
Statement of financial position						
Assets						
Cash and deposits with NBRK	17,868,075	-	-	-	17,868,075	18,182,738
Financial assets at amortised cost	9,899,115	88,128,316	-	44,740,884	142,768,315	142,768,315
Commission receivable	-	-	5,227,942	-	5,227,942	5,227,942
Current tax assets	-	-	-	12,796	12,796	12,796
Rights-of-use assets	-	-	-	34,665	34,665	682,610
Other assets	-	-	-	607,975	607,975	1,067,197
Liabilities						
Commission payable to NBRK for fiduciary management of the Plan	602,372	-	-	-	602,372	602,372
Lease liabilities	-	-	-	35,040	35,040	764,449
Other liabilities	244,238	-	-	188,730	432,968	1,611,049
Statement of profit or loss and other comprehensive income						
Commission income	-	-	58,010,578	-	58,010,578	58,010,578
Commission expense	(9,063,978)	-	-	(158,003)	(9,221,981)	(9,596,562)
Net interest income	2,612,241	5,174,525	-	4,152,589	11,939,355	11,849,268
Other operating income/(expense), net	-	-	-	116,693	116,693	(83,883)
General administrative expenses	(17,219)	(119,028)	-	(455,482)	(591,729)	(3,999,522)
Current income tax expense	-	(7,571,115)	-	-	(7,571,115)	(7,599,208)

25. Fair values of financial instruments

IFRS defines fair value as 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.

Fair value of assets and liabilities that are measured at fair value on a recurring basis

Some of the Fund's assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these assets and liabilities are determined.

(in thousands of Kazakhstani Tenge)

Assets	31 December 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique and key input
Land (Note 14)	131,434	83,906	Level 2	Based on the market comparable approach that reflects recent transaction prices for similar properties that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.
Building (Note 14)	4,441,695	1,799,320	Level 2	
Investment Property (Note 15)	5,391,653	6,148,801	Level 2	

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the Fund considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	172,838,507	159,150,588	142,768,315	131,233,837

	31 December 2020	
	Level 2	Total
Financial assets at amortised cost	159,150,588	159,150,588

	31 December 2019	
	Level 2	Total
Financial assets at amortised cost	131,233,837	131,233,837

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on prices on the market.

26. Events after the reporting period

On 20 January 2021, the full amount KZT 1,948,749 of commission receivable from Plan was paid.

On 11 and 28 January 2021, the commission payable by the NBRK for fiduciary management of the Plan in the amount of KZT 610,279 thousand was paid.

Benefits paid for housing improvements and health treatment

In accordance with the Law of the Republic of Kazakhstan dated 2 January 2021 No. 399-VI "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Restoration of Economic Growth", starting from 1 February 2021, the Plan makes lump sum payments of pension savings for housing improvement and health treatment. For the period ended 15 March 2021, the lump sum payments for improving housing conditions amounted to KZT 741,660,817 thousand, for health treatment amounted to KZT 1,236,168 thousand, including the returns made by authorized operators. The authorized operators are JSC ZSSB Otbasy Bank, JSC Halyk Bank and JSC Bank CenterCredit.

From 23 February 2021, part of the pension savings, upon the depositor's application, can be transferred into trust management to the investment portfolio manager with whom the Plan has entered into trust management agreements: JSC Halyk Global Markets (No. 17/6/18-02-21/P of 18 February 2021), JSC Jýsan Invest (No. 17/7/18-02-21/P from 18 February 2021), JSC BCC Invest (No. 17/11/19-02-21/P from 19 February 2021), JSC Centras Securities (No. 17/20/05-03-21/П from 05 March 2021).

Change in the commission rate

In accordance with the Law of the Republic of Kazakhstan dated 2 January 2021 No. 399-VI "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on the Restoration of Economic Growth", Article 53 of the Law of the Republic of Kazakhstan "On Pension Provision in the Republic of Kazakhstan" dated 21 June 2013 year, the commission fee of the National Bank of the Republic of Kazakhstan and the Fund was established. In accordance with these changes, starting from 1 January 2021, the Plan pays a commission in the amount of 0.01% of the amount of pension assets (2020 - 0.011%). The Board of the NBRK issued the Resolution "On establishing the amount of commission remuneration of the National Bank of the Republic of Kazakhstan for 2021" No. 1 dated 18 January 2021. In accordance with this Resolution, starting from 1 January 2021, the Plan pays a commission on the amount of investment income in the amount of 2.0% (2020 - 2.0%).