ForteBank Joint Stock Company

Consolidated financial statements

for the year ended 31 December 2020
together with independent auditor's report

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Independent auditor's report

To the Shareholders and Board of Directors of ForteBank Joint Stock Company

Opinion

We have audited the consolidated financial statements of ForteBank Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated statement of financial position as at 31 December 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated 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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code .

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How the matter was addressed in the audit
Allowance for expected credit losses of loans to customers	
Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 is a key area of the Group's management judgment. Identification of factors of significant increase in credit risk since initial recognition, including identification of changes in default risk during the remaining term of a financial instrument, as well as determination of probability of default and loss given default rates, requires significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information. The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers. Due to the materiality of loans to customers of the Group as at 31 December 2020, as well as the significant use of professional judgment, the estimation of the allowance for expected credit losses was a key audit matter. Information on expected credit losses on loans to customers is presented in Note 4 *Significant accounting judgments and estimates*, Note 8 *Credit loss expense*, Note 15 *Loans to customers* and Note 25 *Risk management* to the consolidated financial statements.	Our audit procedures included analyzing the methodology for estimating the allowance for expected credit losses on the loan portfolio. We also performed analysis and testing controls over the process of identification of factors of significant increase in credit risk on loans to customers since initial recognition and events of default, including the term of overdue debt and changes in internal credit ratings. We analyzed the judgments used by the Group's management in determining the significant increase in credit risk and default criteria for loans to customers in connection with the ongoing COVID-19 pandemic. We performed, on a sample basis, testing of input data and analysis of the assumptions used by the Group in estimation of allowance for expected credit losses, including historical information on debt servicing, borrower's financial and non-financial information, expected recoveries in the events of default from sale of collateral held. We also performed analysis of the forward-looking information, including macroeconomic forecasts and scenario weights, used by the Group in its expected credit loss model, taking into account the uncertainty associated with the COVID-19 pandemic. We made recalculations on the allowance for expected credit losses. We have analyzed information on the allowance for expected credit losses on loans to customers disclosed in the Notes to the consolidated financial statements.

Assessment of loans received from financial institutions	
We consider this issue to be a key audit matter due to the substantial amounts recognized and use of judgment to determine the fair values of liabilities at initial recognition by the Group's management. Information on loans received is presented in Note 15 *Loans to customers* and Note 20 *Amounts due to banks and other financial institutions* to the consolidated financial statements.	Our audit procedures included the analysis of the valuation methodology, the model and testing of inputs used by the Group to determine the fair values of loans received at initial recognition. We engaged valuation specialists for assessment of key inputs used in the estimation, such as risk-free interest rate and credit spread, and compared them with the observable market data. We have reviewed information on loans received disclosed in the Notes to the consolidated financial statements.

Other information included in the Annual report of the Group for 2020

Other information consists of the information included in the Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual report is expected to be made available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any conclusion providing assurance in any form with regard to this information.

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

Responsibility of management and the Board of Directors for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for the supervision of the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. Besides, we perform the following:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to these risks, obtain audit evidence, which is sufficient and appropriate to serve as a basis for our audit 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 Group'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 Group's ability to continue as a going concern. If we determine the existence of material uncertainty, we shall draw attention in our opinion to the related disclosure in the consolidated financial statements or, if such disclosure is 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 result in the Group's loss of ability to continue as a going concern;
- evaluate the overall presentation of the consolidated financial statements, their structure and content, including disclosure of information, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

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We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Olga Khegay.

Ernst & Young LLP

Olga Khegay
Auditor

Rustamzhan Sattarov
General Director
Ernst and Young LLP

Auditor's qualification certificate
No. МФ-0000286 dated 25 September 2015

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on July 15, 2005

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9 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

(millions of tenge)

	Notes	*2020*	*2019*
Interest revenue calculated using effective interest rate	5	**184,078**	162,803
Other interest revenue	5	**1,426**	750
Interest expense	5	**(90,475)**	(85,259)
Net interest income		**95,029**	78,294
Fee and commission income	6	**35,473**	33,203
Fee and commission expense	6	**(14,271)**	(11,058)
Net gains/(losses) on derecognition of investment securities at fair value through other comprehensive income		**226**	(107)
Net gains on initial recognition of financial assets measured at amortized cost	16	**–**	7,053
Net gains from foreign currencies	7	**13,340**	10,603
Net gains/(losses) on derecognition of financial assets measured at amortized cost	20	**11,209**	(4,133)
Net gains on derecognition of financial liabilities as a result of modification	20	**17,956**	–
Other income	10	**3,666**	4,378
Non-interest income		**67,599**	39,939
Credit loss expense	8	**(38,947)**	(20,417)
Net losses from financial instruments at fair value through profit or loss		**(1,583)**	(4,274)
General and administrative expenses	9	**(48,760)**	(42,751)
Loss from disposal of subsidiaries	28	**(587)**	–
Other expenses	10	**(8,784)**	(5,800)
Non-interest expense		**(98,661)**	(73,242)
Profit before corporate income tax expense		**63,967**	44,991
Corporate income tax expense	11	**(11,005)**	(2,758)
Profit for the year		**52,962**	42,233
Attributable to:			
- shareholders of the Bank		**52,962**	42,233
- non-controlling interests		**–**	–
		52,962	42,233

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Notes	*2020*	*2019*
Other comprehensive income			
Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		**3,183**	4,276
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		**338**	(217)
Reclassification of cumulative (gain)/loss on disposal of debt instruments measured at fair value through other comprehensive income to profit or loss		**(226)**	107
Income tax relating to components of other comprehensive income		**54**	(667)
Other comprehensive income for the year, net of tax		**3,349**	3,499
Total comprehensive income for the year		**56,311**	45,732
Attributable to:			
- shareholders of the Bank		**56,311**	45,732
- non-controlling interests		**–**	–
		56,311	45,732
Basic and diluted earnings per common share (in tenge)	24	**0.59**	0.47

Signed and authorised for release on behalf of the Management Board of the Bank:

Guram Andronikashvili
Chairman of the Management Board

9 March 2021

Stanislav Levin
Chief Accountant – Director

The accompanying notes on pages 8 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(millions of tenge)

	Notes	*31 December 2020*	*31 December 2019*
Assets			
Cash and cash equivalents	12	**311,632**	347,242
Amounts due from financial institutions	13	**73,707**	28,205
Trading securities	14	**7,377**	6,452
Loans to customers	15	**749,742**	785,068
Investment securities	16	**780,095**	719,466
Property and equipment	17	**65,814**	70,655
Intangible assets		**11,162**	9,839
Other assets	18	**89,735**	103,043
Total assets		**2,089,264**	2,069,970
Liabilities			
Current accounts and deposits of customers	19	**1,387,167**	1,336,949
Amounts due to banks and other financial institutions	20	**130,470**	117,806
Amounts payable under repurchase agreements	27	**21,670**	116,741
Debt securities issued	21	**240,202**	229,263
Deferred tax liabilities	11	**11,171**	1,621
Subordinated debt	22	**20,503**	25,951
Other liabilities		**14,750**	12,687
Total liabilities		**1,825,933**	1,841,018
Equity			
Share capital	23	**332,815**	332,815
Additional paid-in capital		**21,109**	21,109
Treasury shares	23	**(5,260)**	(4,438)
Fair value reserve		**9,207**	5,858
Accumulated losses		**(94,540)**	(126,392)
Total equity attributable to shareholders of the Bank		**263,331**	228,952
Non-controlling interests		**–**	–
Total equity		**263,331**	228,952
Total equity and liabilities		**2,089,264**	2,069,970

The accompanying notes on pages 8 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

(millions of tenge)

	Note	*2020*	*2019*
Cash flows from operating activities			
Interest income received	5	**156,774**	145,874
Interest expense paid	5	**(78,242)**	(74,175)
Fee and commission income received		**35,414**	32,802
Commission expense paid		**(14,271)**	(11,058)
Net realized loss from financial instruments at fair value through profit or loss		**(1,574)**	(4,360)
Net realised gains from foreign currencies		**12,828**	10,904
General and administrative expenses paid		**(38,472)**	(41,792)
Other operating expenses paid		**(10,662)**	(623)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		**(42,022)**	(7,568)
Trading securities		**(1,282)**	3,221
Loans to customers		**16,553**	(50,058)
Other assets		**24,250**	24,041
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		**32,468**	170,342
Amounts due to banks and other financial institutions		**59,047**	39,464
Amounts payable under repurchase agreements		**(83,006)**	60,281
Other liabilities		**2,212**	1,709
Net cash from operating activities before income tax		**70,015**	299,004
Corporate income tax paid		**(736)**	(240)
Net cash from operating activities		**69,279**	298,764
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	30,163
Acquisition of non-controlling interest		**–**	(480)
Proceeds from disposal of a subsidiary, net of cash disposed of	28	**(37,012)**	–
Purchase of investment securities at fair value through other comprehensive income		**(493,004)**	(925,995)
Proceeds from sale of investment securities at fair value through other comprehensive income		**5,198**	108,820
Redemption of investment securities at fair value through other comprehensive income		**460,956**	757,162
Acquisition of investment securities at amortized cost		**(50,085)**	(73,610)
Redemption of investment securities at amortized cost		**20,855**	–
Purchase of property and equipment and intangible assets		**(14,914)**	(18,263)
Proceeds from sale of property and equipment and intangible assets		**15**	138
Net cash used in investing activities		**(107,991)**	(122,065)

The accompanying notes on pages 8 to 82 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	*2020*	*2019*
Cash flows from financing activities			
Repurchase of own shares	23	**(822)**	(3,127)
Repayment of subordinated debt		**(2,200)**	–
Dividends paid to shareholders of the Bank	23	**(21,110)**	(11,376)
Proceeds from issue of debt securities	29	**1,533**	14,992
Repurchase of debt securities issued	29	**(1,264)**	(4)
Redemption of debt securities issued	29	**(3,901)**	(51,005)
Repayment of lease liability		**(650)**	(1,250)
Net cash used in financing activities		**(28,414)**	(51,770)
Effect of exchange rate changes on cash and cash equivalents		**31,509**	(2,832)
Effect of expected credit losses on cash and cash equivalents		**7**	(2)
Net change in cash and cash equivalents		**(35,610)**	122,095
Cash and cash equivalents, beginning		**347,242**	225,147
Cash and cash equivalents, ending	12	**311,632**	347,242
Non-monetary transactions			
Repossession of collateral on loans to customers	15	**7,717**	12,592

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

(millions of tenge)

	Equity attributable to shareholders of the Bank							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952	–	228,952
Profit for the year	–	–	–	–	**52,962**	**52,962**	–	**52,962**
Other comprehensive income for the year	–	–	–	**3,349**	–	**3,349**	–	**3,349**
Total comprehensive income for the year	–	–	–	**3,349**	**52,962**	**56,311**	–	**56,311**
Transactions with owners recorded directly in equity								
Repurchase of own shares *(Note 23)*	–	–	**(822)**	–	–	**(822)**	–	**(822)**
Dividends declared *(Note 23)*	–	–	–	–	**(21,110)**	**(21,110)**	–	**(21,110)**
At 31 December 2020	**332,815**	**21,109**	**(5,260)**	**9,207**	**(94,540)**	**263,331**	–	**263,331**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Equity attributable to shareholders of the Bank							
	Share capital	*Additional paid-in capital*	*Treasury shares*	*Fair value reserve*	*Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
At 1 January 2019	332,815	21,116	(1,311)	2,359	(155,051)	199,928	711	200,639
Effect of adoption of IFRS 16	–	–	–	–	(428)	(428)	–	(428)
Restated balance in accordance with IFRS 16 at the beginning of the year	332,815	21,116	(1,311)	2,359	(155,479)	199,500	711	200,211
Profit for the year	–	–	–	–	42,233	42,233	–	42,233
Other comprehensive income for the year	–	–	–	3,499	–	3,499	–	3,499
Total comprehensive income for the year	–	–	–	3,499	42,233	45,732	–	45,732
Transactions with owners recorded directly in equity								
Repurchase of own shares *(Note 23)*	–	(7)	(3,127)	–	–	(3,134)	–	(3,134)
Acquisition of non-controlling interests	–	–	–	–	228	228	(711)	(483)
Acquisition of subsidiaries	–	–	–	–	(1,998)	(1,998)	–	(1,998)
Dividends declared *(Note 23)*	–	–	–	–	(11,376)	(11,376)	–	(11,376)
At 31 December 2019	332,815	21,109	(4,438)	5,858	(126,392)	228,952	–	228,952

(millions of tenge)

1. General information

Corporate structure and activities

These consolidated financial statements include financial statements of ForteBank Joint Stock Company (hereinafter, the "Bank") and its subsidiaries (together, the "Group").

The Bank was established in 1999 under the laws of the Republic of Kazakhstan. On 10 February 2015, the Bank was reregistered to ForteBank JSC (formerly, Alliance Bank JSC).

Legal address of the Bank's head office: 8/1, Dostyk str., 010017, Nur-Sultan, Republic of Kazakhstan. The Bank's activities are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (hereinafter, the "AFM"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the AFM on 3 February 2020, which replaces previous licenses.

The Group's primary business is related to commercial banking activities, granting of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange and the Kazakhstan Stock Exchange (hereinafter − the "KASE") and Astana International Exchange.

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 31 December 2020 and 2019, depositors can receive limited insurance coverage for deposits, depending on its amount and the currency: in tenge – up to KZT 10 million, in foreign currencies – up to KZT 5 million, savings deposits in tenge − up to KZT 15 million.

As at 31 December 2020 and 2019, the Group includes the following subsidiaries:

			Ownership, %	
Name	***Country of incorporation***	***Principal activities***	***31 December 2020***	***31 December 2019***
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	**100.0**	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	**100.0**	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	**100.0**	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	**100.0**	–
Bank Kassa Nova JSC	Republic of Kazakhstan	Banking operations	**–**	100.0

On 29 July 2020 the Bank signed an agreement on sale of 100% common shares in Bank Kassa Nova JSC to the subsidiary of the Bank, investment company FREEDOM FINANCE JSC. On 25 December 2020, the transaction was completed by re-registering 100% of common shares of Kassa Nova Bank with Central Securities Depository JSC.

On 29 July 2020, the Bank established a subsidiary, ForteFinance JSC, in which it is the only shareholder. On 4 August 2020 the Bank made an initial contribution to its share capital in the amount of KZT 3,500 million. The license to carry out the activities on the securities market was issued by the Agency for Regulation and Development of the Financial Market on 20 October 2020.

2. Basis of preparation

Shareholders

As at 31 December 2020, Mr. Utemuratov B,D was the beneficial owner of 90.60% of the outstanding common shares of the Bank and was an ultimate controlling shareholder of the Group (31 December 2019: 90.10%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

On 18 March 2019, Mr. Utemuratov B.Zh. entered into the trust management agreement with Nova Leasing JSC to represent the interests of Mr. Utemuratov B.Zh.'s 54% of placed shares of the Bank. Mr. B. Zh. Utemuratov is a 100% shareholder of Nova Leasing JSC.

General

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

(millions of tenge)

2. Basis of preparation (continued)

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for trading securities, derivative financial assets, investment securities measured at fair value through other comprehensive income carried at fair value.

Functional and presentation currency of consolidated financial statements

The functional currency of the financial statements of Bank and its subsidiaries is tenge as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of the Group's transactions and circumstances relevant to them affecting its activities.

The Kazakhstani tenge is also the presentation currency for the purposes of these consolidated financial statements.

All information of the consolidated financial statements has been rounded to the nearest million tenge, unless otherwise stated.

Effect of COVID-19 pandemic

Due to the rapid spread of COVID-19 pandemic in 2020 many governments, including the Government of the Republic of Kazakhstan, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government and the National Bank of the Republic of Kazakhstan to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and other.

The Group continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

To the extent that information was available as at 31 December 2020, the Bank has reflected revised estimates of expected future cash flows in estimating ECL *(Note 15)*.

Reclassifications

The following reclassification has been made in the consolidated statement of comprehensive income for the year ended 31 December 2019 to conform to the 2020 presentation:

		As previously reported	***Reclassification***	***As reclassified***
Net gains/(losses) on derecognition of financial assets measured at amortized cost	[1]	–	(4,133)	(4,133)
Other expenses	[1]	(9,933)	4,133	(5,800)

[1] Net losses on derecognition of mortgage loans was separated into a separate line in the consolidated statement of comprehensive income.

This reclassification did not affect the consolidated statement of financial position.

3. Summary of significant accounting policies

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The nature and the effect of these changes are disclosed below.

Amendments to IFRS 16: COVID-19 Related Rent Concessions

The Group has early adopted Amendment to IFRS 16: *COVID-19 Related Rent Concessions*, which provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Group.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any hedge relationships that can be affected by the interest rate benchmark reform.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The revision of this document did not have an impact on the Group's consolidated financial statements.

Basis of consolidation

Subsidiaries, i.e. those entities, which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to manage the significant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all significant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights or potential voting rights belonging to the Group.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If necessary, the accounting policies of subsidiaries are changed to bring it into conformity with the accounting policies of the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Fair value measurement

The Group measures financial instruments at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI), at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In the event of assets and liabilities recognized in the financial statements on a regular basis, the Group determines the fact of transfer between levels of hierarchy sources by analysing the classification once again (based on initial data of the lowest level that are significant for fair value evaluation in whole) at the end of each reporting period.

Financial instruments

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from financial institutions, loans to customers, investment securities at amortised cost

The Group only measures Amounts due from financial institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors 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 those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

(millions of tenge)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

The SPPI test (continued)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Sometimes, upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of comprehensive income, and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2020.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the National Bank of the Republic of Kazakhstan and amounts due from credit organizations that mature within ninety days of the date of origination and are free from contractual encumbrances.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties. In this case the purchase and sale transaction is recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, including forwards, swaps and options on currency markets and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are recorded in the consolidated statement of comprehensive income as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies (dealing), depending on the nature of the financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated statement of comprehensive income.

Financial assets are classified based on the business model and SPPI assessments.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Initial recognition (continued)

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks and other financial institutions, current accounts and deposits of customers, debt securities issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Lease

i. Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes the right-of-use assets at the commencement date of the lease (that is, the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments, which will be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of vehicles and equipment (i.e. contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option). The Group also applies the low value assets lease recognition exemption to contracts of lease of office equipment whose value is considered to be low. Lease payments on short-term leases and lease of assets of low value are recognised as lease expense on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

Lease (continued)

ii. Operating lease – Group as lessor

Leases for which the Group does not transfer substantially all of the risks and rewards incidental to ownership of the asset are classified as operating leases. The resulting rental income is recognized on a straight-line basis over the lease term and included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and entering into operating leases are included in the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent lease payments are recognized as revenue in the period in which they are received.

iii. Finance lease – Group as lessor

The Group recognizes lease receivables in an amount equal to the net investment in the lease from the commencement date of the lease term. Finance income is calculated using a pattern that reflects a constant periodic rate of return on the carrying amount of the net investment. Initial direct costs are included in the initial amount of the lease receivable.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI). When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss that is presented within other income in the consolidated statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated ECL allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off results in a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from the related expense when recognized in the consolidated financial statements.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

A benefit from a loan provided by the government at a below market rate of interest are treated as a government grant. The loan is recognized and measured in accordance with IFRS 9 *Financial Instruments*. The benefit from using a below market rate of interest is measured as the difference between the original carrying amount of the loan determined in accordance with IFRS 9, and the proceeds received.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are carried at historical cost less day-to-day maintenance costs and accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group. Land, construction-in-progress and assets to be installed are not depreciated. The estimated useful lives are as follows:

	Years
Buildings	10-100
Computer hardware	5-7
Vehicles	5-7
Other	2-25

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

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

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are 1 to 8 years.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated asset's selling price in the ordinary course of business of the Group, less the estimated costs to sell.

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires withholdings by the employer calculated as a percentage from current gross salary payments. Such expense is charged in the period the related salaries are earned, and are accounted in "General and administrative expenses" in the consolidated statement of comprehensive income. The Group contributes social tax to the budget of the Republic of Kazakhstan for its employees. The Group has no post-retirement benefits.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Equity

Share capital

Common shares and non-redeemable preferred shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Taxation

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

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

Deferred tax assets and deferred tax liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are not recognized in respect of the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired financial assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income and expense.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Interest and similar revenue and expense (continued)

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For POCI financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of comprehensive income.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Customer loyalty programs

The Group offers a number customer loyalty programs. Accounting for such programs varies depending on who is identified as the customer, and whether the Group acts as an agent or as a principal under the contract. For point-based programs, the Group generally recognized a liability for the accumulated points that are expected to be utilized by the customers, which is reversed to profit or loss as the points expire. Cashbacks on plastic card transactions reduce fee and commission income.

Dividend income

Dividends are recognised when the Group's right to receive the payment is established.

Segment reporting

An operating segment is a component of a Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into KZT at the market exchange rate established by KASE at the date of the consolidated statement of financial position. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of comprehensive income as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing.

As at 31 December 2020 the official exchange rate used for translation of monetary balances on foreign currency accounts was KZT 420.91 for 1 US Dollar (31 December 2019: KZT 382.59 for USD 1).

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt those standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable. IFRS 17 comes into force for reporting periods beginning on or after 1 January 2023, with comparative information required. Earlier application is permitted provided that the entity also applies IFRS 9 and IFRS 15 at the date of first application. The Group is currently assessing the impact of the application of IFRS 17 on its consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

This amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Group first applies the amendment. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

(millions of tenge)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

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

In August 2020 the IASB issued *Interest Rate Benchmark Reform* – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 IBOR reform Phase 2 to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

These amendments include a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The amendments come into effect from 1 January 2021, but entities may choose to apply them earlier. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management used its judgment and made estimates in determining the amounts recognized in the consolidated financial statements. Below are the most significant uses of judgment and estimates:

COVID-19

The rapid spread of the COVID-19 pandemic in 2020, as well as related public health and social measures, have impacted organizations in various sectors of the economy. The following changes in the economic environment continue to have an impact on the Group's operations:

- A decline in industrial production and activity in many sectors of the economy as a result of government-imposed restrictions related to the COVID-19 pandemic;
- Implementation of state support measures to the population and business related to the COVID 19 pandemic;
- Significant depreciation of the tenge against major foreign currencies, high volatility in the foreign exchange market;
- Offering to clients changes in some loan conditions, including those under government support programs;
- Expanding the product offer to customers through remote service channels; and
- Changes in macroeconomic indicators used in models for estimating reserves for expected credit losses (ECL).

Due to the high level of uncertainty, as well as the limited up-to-date and consistent information about the actual financial position of the Group's counterparties and borrowers, it is not possible to present in these consolidated financial statements a comprehensive quantitative assessment of the impact of changes in the economic environment on the Group's operating results in 2020.

To the extent that information was available as at 31 December 2020, the Group has reflected revised estimates of expected future cash flows in estimating ECL *(Note 15)*.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional information is presented in *Note 34*.

Collateral assessment

The Bank management performs monitoring of collateral on a regular basis. The Bank's management uses internal valuation approaches based on Kazakhstani and international requirements or independent valuation to adjust the value of collateral in light of the current market situation.

(millions of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses from financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers. The deterioration in the credit quality of loan portfolios and trade receivables (among others) as a result of the COVID-19 pandemic could have a significant impact on the Group's ECL valuation. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so ECL allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional term of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Rent – an estimate of the rate of attracting additional borrowed funds

The Group cannot easily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest at which the Group would be able to borrow, for a similar period and with similar collateral, to obtain an asset with a value similar to the value of a right-of-use asset in a similar economic environment. Thus, the incremental borrowing rate reflects the percentage that the Group "would have to pay" and its determination requires the use of estimates if observable rates are not available (for example, in the case of subsidiaries that do not themselves participate in financing transactions) or if observed rates need to be adjusted to reflect the terms of the lease (for example, if the currency of the lease entered into by the subsidiary differs from its functional currency).

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Bank's tax position as at 31 December 2020 and 2019 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

(millions of tenge)

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Taxation (continued)

Assessment of recoverability of deferred income tax assets requires to use subjective judgements by the Group's management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred tax assets as at 31 December 2020 are recorded to the extent that it is probable that future taxable profits will be available to cover temporary differences, unused tax losses and unused tax benefits, and deferred tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

5. Net interest income

Net interest income comprises:

	2020	*2019*
Interest revenue calculated using the effective interest rate		
Loans to customers	**125,601**	115,126
Investment securities at FVOCI	**37,607**	25,341
Investment securities at amortised cost	**16,957**	15,486
Amounts due from financial institutions	**2,531**	5,383
Amounts receivable under reverse repurchase agreements	**1,382**	1,467
	184,078	162,803
Other interest revenue		
Trading securities	**626**	304
Finance lease receivables	**800**	446
	185,504	163,553
Interest expense		
Current accounts and deposits of customers	**(51,392)**	(47,415)
Debt securities issued	**(28,170)**	(30,686)
Amounts due to banks and other financial institutions	**(7,096)**	(3,849)
Subordinated debt	**(2,040)**	(2,037)
Amounts payable under repurchase agreements	**(1,777)**	(1,272)
	(90,475)	(85,259)
	95,029	78,294

Interest revenue calculated using the effective interest rate for 2020 includes interest income of KZT 11,801 million accrued on impaired loans to customers and interest income of KZT 8,315 million representing amortization of discount on loans to customers (2019: KZT 9,611 million and KZT 6,162 million, respectively).

Interest income received is as follows:

	2020	*2019*
Interest revenue received		
Loans to customers	**102,286**	100,073
Debt investment securities at FVOCI	**31,979**	23,557
Investment securities measured at amortised cost	**17,733**	15,229
Amounts due from financial institutions	**2,783**	5,382
Amounts receivable under reverse repurchase agreements	**1,386**	1,468
Trading securities	**607**	165
	156,774	145,874

(millions of tenge)

5. Net interest income (continued)

Interest expense paid comprise:

	2020	*2019*
Interest expenses paid		
Current accounts and deposits of customers	**(51,599)**	(47,375)
Debt securities issued	**(16,574)**	(20,407)
Amounts due to banks and other financial institutions	**(6,249)**	(3,174)
Subordinated debt	**(1,937)**	(2,015)
Amounts payable under repurchase agreements	**(1,883)**	(1,204)
	(78,242)	(74,175)

6. Fee and commission income and expenses

Fee and commission income is as follows:

	2020	*2019*
Card transactions	**18,942**	18,689
Settlement transactions	**8,752**	7,095
Cash transactions	**4,451**	4,255
Commissions on guarantees and letters of credits	**1,783**	1,805
Foreign currency transactions and transactions with securities	**426**	338
Other	**1,119**	1,021
	35,473	33,203

Fee and commission expense is as follows:

	2020	*2019*
Maintenance of card accounts	**(12,124)**	(9,299)
Maintenance of nostro accounts	**(389)**	(343)
Settlement transactions	**(323)**	(271)
Customer accounts services by financial agents	**(124)**	(254)
Foreign currency transactions and transactions with securities	**(91)**	(87)
Other	**(1,220)**	(804)
	(14,271)	(11,058)

Revenue from contracts with customers recognized in the consolidated statement of comprehensive income for the years ended 31 December 2020 and 2019 primarily represents fee and commission income of KZT 35,473 million and KZT 33,203 million, respectively.

At 31 December 2020 and 2019 in the consolidated statement of financial position within other assets, the Group recognized revenue from contracts with customers in the amount of KZT 2,590 million and KZT 2,403 million, respectively.

The Group typically charges fees before the completion of the transaction for which it is due or immediately after completion (in the case of contracts where a performance obligation is satisfied at a point in time, such as settlement transactions).

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose any remaining performance obligations under the contracts with an initial expected life of one year or less.

7. Net gains from foreign currencies

Net gains from foreign currencies is presented as follows:

	2020	*2019*
Dealing transactions, net	**12,857**	10,903
Translation differences, net	**483**	(300)
	13,340	10,603

(millions of tenge)

8. Credit loss expense

Credit loss expenses comprised the following for 2020 and 2019:

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	**(5)**	**–**	**–**	**–**	**(5)**
Amounts due from financial institutions	**(38)**	**–**	**–**	**–**	**(38)**
Loans to customers *(Note 15)*	**(2,067)**	**(10,235)**	**(21,069)**	**(3,187)**	**(36,558)**
Investment securities measured at amortised cost	**(16)**	**(72)**	**–**	**–**	**(88)**
Investment securities measured at FVOCI	**(345)**	**7**	**–**	**–**	**(338)**
Other financial assets	**–**	**–**	**(1,456)**	**–**	**(1,456)**
Financial guarantees, letters of credit and undrawn loan commitments	**203**	**107**	**(154)**	**–**	**(464)**
	(2,674)	**(10,407)**	**(22,679)**	**(3,187)**	**(38,947)**

	2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amounts due from financial institutions	94	–	–	–	94
Loans to customers *(Note 15)*	(1,584)	(4,814)	(16,212)	2,602	(20,008)
Investment securities measured at amortised cost	(99)	–	–	–	(99)
Investment securities measured at FVOCI	217	–	–	–	217
Other financial assets	–	–	(535)	–	(535)
Financial guarantees, letters of credit and undrawn loan commitments	(86)	–	–	–	(86)
	(1,458)	(4,814)	(16,747)	2,602	(20,417)

9. General and administrative expenses

General and administrative expenses comprise:

	2020	*2019*
Salary and related taxes	**(25,109)**	(23,701)
Depreciation and amortization	**(7,516)**	(5,764)
Charity and sponsorship	**(3,020)**	(427)
Taxes other than corporate income tax	**(2,698)**	(2,815)
Repair and maintenance	**(2,637)**	(1,841)
Advertising and marketing	**(1,529)**	(1,630)
Maintenance of buildings	**(1,489)**	(1,473)
Security	**(922)**	(921)
Telecommunication and information services	**(734)**	(807)
Transportation	**(403)**	(352)
Lease	**(402)**	(524)
Encashment	**(385)**	(429)
Insurance	**(255)**	(145)
Other professional services	**(248)**	(705)
Office supplies	**(134)**	(137)
Business trips	**(101)**	(321)
Legal services	**(66)**	(22)
Entertainment	**(10)**	(13)
Other	**(1,102)**	(724)
	(48,760)	(42,751)

General administrative expenses comprise:

	2020	*2019*
Sales and marketing	**(22,957)**	(25,756)
Technologies and development of new products	**(6,051)**	(2,120)
Other	**(19,752)**	(14,875)
	(48,760)	(42,751)

(millions of tenge)

10. Other income and expenses

Other income and expenses comprise:

	2020	*2019*
Other income		
Income on operating lease	**1,904**	2,245
Net income on participation in government programs	**512**	–
Net income on sale of repossessed collateral	**–**	1,203
Other	**1,250**	930
	3,666	4,378
Other expenses		
Net loss on modification of loans to customers that does not result in derecognition	**(2,164)**	–
Net loss on sale of inventories	**(1,461)**	–
Other expenses from non-banking activities	**(1,097)**	(1,361)
Loss on change in net rezlizable value of repossessed collateral	**(1,070)**	–
Loss on early redemption of issued debt securities	**–**	(1,282)
Other	**(2,992)**	(3,157)
	(8,784)	(5,800)

In 2020 net income on participation in government programs includes income from government subsidies received unders the state program to support domestic car manufacturers by attracting long-term loans from the Development Bank of Kazakhstan JSC at rates below market rates, as well as under the state program to support small and medium-sized businesses affected by the COVID-19 pandemic, by attracting short-term deposits from Kazakhstan Stability Fund JSC at rates below market rates less losses from preferential car loans. The fair value of loans issued under the programs at initial recognition was determined by the Group using market rates ranging from 11.00% to 13.93% per annum. The fair values of mortgage loans resulting from a significant modification at initial recognition was determined by the Group using market rates ranging from 15.00% to 20.95% per annum.

Net losses on modification of loans to customers, which does not lead to derecognition, includes expenses from the suspension of payments of principal and interest on loans to customers affected by the introduction of the state of emergency in the Republic of Kazakhstan in connection with the COVID-19 pandemic in the amount of KZT 2,005 million.

11. Corporate income tax expense

Corporate income tax expense comprise the following:

	2020	*2019*
Current corporate income tax expense	**(828)**	(522)
Deferred corporate income tax charge – origination and reversal of temporary differences	**(10,177)**	(2,236)
Corporate income tax expense	**(11,005)**	(2,758)

The income of the Bank and its subsidiaries is subject to taxation in the Republic of Kazakhstan. Kazakhstan legal entities have to file corporate income tax returns to the tax authorities. The statutory corporate income tax rate in 2020 and 2019 was 20%.

Below is the reconciliation of income tax expenses based on statutory rate with income tax expenses recorded in the consolidated financial statements:

	2020	*2019*
Profit before corporate income tax expenses	**63,967**	44,991
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**(12,793)**	(8,998)
Non-taxable income on state securities and securities officially listed at KASE	**10,383**	7,467
Change in tax loss carried forward and unrecognised deferred tax assets	**(4,549)**	2,180
Adjustment of corporate income tax (expense)/benefit for prior years	**(202)**	1,109
Non-deductible credit loss expenses	**(2,527)**	(224)
Other	**(1,317)**	(4,292)
Corporate income tax expense	**(11,005)**	(2,758)

(millions of tenge)

11. Corporate income tax expense (continued)

Deferred tax assets and liabilities as at 31 December, as well as their movements for the respective years comprise the following:

	2018	*Effect of adopting IFRS 16*	*Effect of business combination (Note 5)*	*Origination and reversal of temporary differences within profit or loss*	*Origination and reversal of temporary differences within other comprehen-sive income*	*2019*	***Origination and reversal of temporary differences within profit or loss***	***Origination and reversal of temporary differences within other comprehen-sive income***	***Disposal of a subsidiary (Note 28)***	***2020***
Tax loss carry forward	31,260	–	–	(6,847)	–	24,413	**(11,546)**	**–**	**–**	**12,867**
Loans to customers	1,778	–	167	1,627	–	3,572	**528**	**–**	**1**	**4,101**
Investment securities measured at FVOCI	(494)	–	–	817	(667)	(344)	**–**	**54**	**–**	**(290)**
Investment securities measured at amortised cost	(110)	–	–	(1,158)	–	(1,268)	**(1,379)**	**–**	**(5)**	**(2,652)**
Debt securities issued	(16,668)	–	–	1,489	–	(15,179)	**2,334**	**–**	**–**	**(12,845)**
Subordinated debt	–	–	(347)	5	–	(342)	**3**	**–**	**339**	**–**
Amounts due to banks and other financial institutions	(2,477)	–	(581)	(1,418)	–	(4,476)	**(9,740)**	**–**	**–**	**(14,216)**
Property and equipment and intangible assets	2,410	–	(240)	824	–	2,994	**1,278**	**–**	**286**	**4,558**
Other	(238)	103	84	245	–	194	**1,348**	**–**	**(48)**	**(1,494)**
Deferred tax assets	15,461	103	(917)	(4,416)	(667)	9,564	**(17,174)**	**54**	**573**	**(6,983)**
Unrecognised deferred tax assets	(13,365)	–	–	2,180	–	(11,185)	**6,997**	**–**	**–**	**(4,188)**
Deferred tax assets/ (liabilities), net	2,096	103	(917)	(2,236)	(667)	(1,621)	**(10,177)**	**54**	**573**	**(11,171)**
Deferred tax assets	2,279	103	–	(2,382)	–	–	**–**	**–**	**–**	**–**
Deferred tax liability	(183)	–	(917)	146	(667)	(1,621)	**(10,177)**	**54**	**573**	**(11,171)**

12. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2020	*31 December 2019*
Cash on hand	**65,827**	61,370
Cash on current accounts with the NBRK rated at BBB-	**37,855**	35,762
Cash on current bank accounts, other banks:		
- rated from AA- to AA+	**74**	–
- rated from A- to A+	**44,449**	32,573
- rated from BBB- to BBB+	**3,810**	6,888
- rated from BB- to BB+	**1,963**	1,831
- rated below B+	**97**	203
- not rated	**19**	543
Time deposits with the NBRK rated at BBB- with contractual maturity of 90 days or less	**114,992**	152,640
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less *(Note 27)*	**42,547**	55,440
Cash and cash equivalents before allowance for ECL	**311,633**	347,250
Allowance for ECL	**(1)**	(8)
Cash and cash equivalents	**311,632**	347,242

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

As at 31 December 2020 and 2019, all balances of cash equivalents are allocated to Stage 1 for the purposes of measuring the ECL.

As at 31 December 2020, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these contracts are government bonds, the fair value of which as at 31 December 2020 was KZT 42,545 million (31 December 2019: KZT 56,857 million).

(millions of tenge)

12. Cash and cash equivalents (continued)

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2020, combined minimum reserve requirements of the Bank amount to KZT 31,863 million (31 December 2019: KZT 27,712 million).

Concentration of cash and cash equivalents

As at 31 December 2020, the Group has accounts with one bank whose balances exceed 10% of total cash and cash equivalents (31 December 2019: one bank). The total aggregate balance of the accounts with the above counterparties as at 31 December 2020 amounts to KZT 152,847 million (31 December 2019: KZT 188,402 million).

13. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	31 December 2020	*31 December 2019*
Current accounts with the NBRK rated at BBB- restricted in use	**34,984**	8,221
Deposits with other banks:		
- rated below B+	**–**	3,209
- not rated	**610**	622
Contingent deposits and deposits pledged as a collateral:		
- rated at AAA	**25,245**	–
- rated from AA- to AA+	**21**	150
- rated from A- to A+	**5,326**	5,185
- rated from BBB- to BBB+	**105**	3,147
- not rated	**8,203**	8,368
Amounts due from financial institutions before allowance for ECL	**74,494**	28,902
Allowance for ECL	**(787)**	(697)
Amounts due from financial institutions	**73,707**	28,205

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

Amounts on current accounts with NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending businesses. As at 31 December 2020, these funds also include amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 31 December 2020 was KZT 27,789 million, the accrual and payment of interest are not provided until the moment these funds are utilized by the Bank *(Note 20)*.

As at 31 December 2020 and 2019, all balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes.

As at 31 December 2020 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment operation services in the amount of KZT 7,172 million (as at 31 December 2019: KZT 6,987 million).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), during 2020, the Bank placed escrow deposits with EBRD totalling USD 66 million (equivalent in tenge – 24,888 million) for a period until 2023. As at 31 December 2020, the carrying amount of escrow deposits was KZT 25,245 million.

Concentration of amounts due from financial institutions

As at 31 December 2020, the Group has amounts due from two financial institutions (31 December 2019: five) whose balances exceed 10% of total due from financial institutions. The total value of these balances as at 31 December 2020 is KZT 60,229 million (as at 31 December 2019: KZT 25,693 million).

(millions of tenge)

14. Trading securities

Trading securities comprise:

	31 December 2020	*31 December 2019*
Corporate bonds		
- rated from BB- to BB+	**423**	–
Total corporate bonds	**423**	–
Bonds of banks		
- rated from BB- to BB+	**5,514**	5,012
Total bonds of banks	**5,514**	5,012
Equity instruments	**1,440**	1,440
Trading securities	**7,377**	6,452

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

15. Loans to customers

Loans to customers comprise:

	31 December 2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Individually significant loans	**183,974**	**7,117**	**58,536**	**–**	**249,627**
Total individually significant loans	**183,974**	**7,117**	**58,536**	**–**	**249,627**
Individually insignificant					
Corporate loans	**122,538**	**1,620**	**38,055**	**1,366**	**163,579**
Mortgage loans	**27,662**	**416**	**16,555**	**10,730**	**55,363**
Consumer loans	**176,203**	**4,051**	**21,352**	**1**	**201,607**
Car loans	**4,657**	**5**	**485**	–	**5,147**
Credit cards	**4,224**	**124**	**1,131**		**5,479**
Other loans secured by collateral	**83,713**	**1,954**	**48,121**	**18,437**	**152,225**
Total individually insignificant loans	**418,997**	**8,170**	**125,699**	**30,534**	**583,400**
Loans to customers before allowance for ECL	**602,971**	**15,287**	**184,235**	**30,534**	**833,027**
Allowance for ECL	**(11,941)**	**(3,152)**	**(68,921)**	**729**	**(83,285)**
Loans to customers	**591,030**	**12,135**	**115,314**	**31,263**	**749,742**

	31 December 2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Individually significant loans	188,466	7,563	38,337	–	234,366
Total individually significant loans	188,466	7,563	38,337	–	234,366
Individually insignificant					
Corporate loans	120,258	6,758	25,803	31	152,850
Mortgage loans	32,797	1,463	24,627	9,311	68,198
Consumer loans	182,768	3,326	4,973	–	191,067
Car loans	1,495	2	458	–	1,955
Credit cards	4,903	168	620	–	5,691
Other loans secured by collateral	124,553	6,801	58,674	13,199	203,227
Total individually insignificant loans	466,774	18,518	115,155	22,541	622,988
Loans to customers before allowance for ECL	655,240	26,081	153,492	22,541	857,354
Allowance for ECL	(6,758)	(2,035)	(66,382)	2,889	(72,286)
Loans to customers	648,482	24,046	87,110	25,430	785,068

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans

Information on the quality of individually significant loans at 31 December 2020 is presented in the table below:

	Loans before allowance for ECL	*Allowance for ECL*	*Loans less allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1 loans	**183,974**	**(3,387)**	**180,587**	**1.84**
Stage 2 and Stage 3 loans				
- not overdue	**33,423**	**(1,078)**	**32,345**	**3.23**
- overdue for less than 90 days	**14,495**	**–**	**14,495**	**0.00**
- overdue for 90 days to 360 days	**1,068**	**(1,068)**	**–**	**100.00**
- overdue for more than 360 days	**16,667**	**(12,281)**	**4,386**	**73.68**
Stage 2 and Stage 3 loans	**65,653**	**(14,427)**	**51,226**	**21.97**
Total individually significant loans	**249,627**	**(17,814)**	**231,813**	**7.14**

Information on the quality of individually significant corporate loans at 31 December 2019 is presented in the table below:

	Loans before allowance for ECL	*Allowance for ECL*	*Loans less allowance for ECL*	*Allowance for ECL to gross loans before allowance for ECL, (%)*
Individually significant loans				
Stage 1 loans	188,466	(1,250)	187,216	0.66
Stage 2 and Stage 3 loans				
- not overdue	11,201	(1,825)	9,376	16.29
- overdue for less than 90 days	3,624	(1,689)	1,935	46.61
- overdue for 90 days to 360 days	3,220	(1,392)	1,828	43.23
- overdue for more than 360 days	27,855	(21,270)	6,585	76.36
Stage 2 and Stage 3 loans	45,900	(26,176)	19,724	57.03
Total individually significant loans	234,366	(27,426)	206,940	11.70

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2020 is as follows:

			2020		
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	**188,466**	**7,563**	**38,337**	**–**	**234,366**
New assets originated or purchased	**238,784**	**–**	**–**	**–**	**238,784**
Assets derecognised or repaid (excluding write-offs)	**(196,005)**	**(15,238)**	**(4,936)**	**–**	**(216,179)**
Transfers to Stage 1	**540**	**(540)**	**–**	**–**	**–**
Transfers to Stage 2	**(28,428)**	**28,428**	**–**	**–**	**–**
Transfers to Stage 3	**(24,097)**	**(13,465)**	**37,562**	**–**	**–**
Transfers between categories	**(2,410)**	**–**	**(2,609)**	**–**	**(5,019)**
Net change in accrued interest	**2,575**	**135**	**944**	**–**	**3,654**
Unwinding of discount	**–**	**–**	**2,774**	**–**	**2,774**
Recoveries	**–**	**–**	**825**	**–**	**825**
Write-off	**–**	**–**	**(15,787)**	**–**	**(15,787)**
Effect from changes in exchange rates	**4,549**	**234**	**1,426**	**–**	**6,209**
At 31 December	**183,974**	**7,117**	**58,536**	**–**	**249,627**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(1,250)**	**(35)**	**(26,141)**	**–**	**(27,426)**
New assets originated or purchased	**(3,244)**	**–**	**–**	**–**	**(3,244)**
Assets derecognised or repaid (excluding write-offs)	**1,694**	**45**	**1,146**	**–**	**2,885**
Transfers to Stage 1	**(6)**	**6**	**–**	**–**	**–**
Transfers to Stage 2	**35**	**(35)**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**17**	**(17)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(477)**	**7**	**(1,009)**	**–**	**(1,479)**
Transfers between categories of materiality of loans	**–**	**–**	**(422)**	**–**	**(422)**
Unwinding of discount	**–**	**–**	**(2,774)**	**–**	**(2,774)**
Recoveries	**–**	**–**	**(825)**	**–**	**(825)**
Write-off	**–**	**–**	**15,787**	**–**	**15,787**
Effect from changes in exchange rates	**(88)**	**(17)**	**(211)**	**–**	**(316)**
At 31 December	**(3,336)**	**(12)**	**(14,466)**	**–**	**(17,814)**

Analysis of movements in gross carrying amount and related ECL for individually significant loans for 2019 is as follows:

	2019				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	190,875	15,999	45,765	–	252,639
Acquisition of subsidiaries	2,149	1,311	1,162	–	4,622
New assets originated or purchased	197,437	–	–	–	197,437
Assets derecognised or repaid (excluding write-offs)	(216,575)	(1,247)	(8,331)	–	(226,153)
Transfers to Stage 1	11,303	(10,277)	(1,026)	–	–
Transfers to Stage 2	(1,737)	2,231	(494)	–	–
Transfers to Stage 3	(410)	(4,255)	4,665	–	–
Transfers between categories of materiality of loans	538	–	(3,700)	–	(3,162)
Net change in accrued interest	5,564	3,797	4,073	–	13,434
Unwinding of discount	–	–	2,722	–	2,722
Recoveries	–	–	2,012	–	2,012
Write-off	–	–	(8,383)	–	(8,383)
Effect from changes in exchange rates	(678)	4	(128)	–	(802)
At 31 December	188,466	7,563	38,337	–	234,366

	2019				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(1,635)	(558)	(26,963)	–	(29,156)
Acquisition of subsidiaries	–	–	(4)	–	(4)
New assets originated or purchased	(1,700)	–	–	–	(1,700)
Assets derecognised or repaid (excluding write-offs)	2,094	73	2,382	–	4,549
Transfers to Stage 1	(30)	30	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	582	(582)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(70)	(162)	(5,510)	–	(5,742)
Transfers between categories of materiality of loans	(8)	–	899	–	891
Unwinding of discount	–	–	(2,722)	–	(2,722)
Recoveries	–	–	(2,012)	–	(2,012)
Write-off	–	–	8,383	–	8,383
Effect from changes in exchange rates	98	1	(12)	–	87
At 31 December	(1,250)	(35)	(26,141)	–	(27,426)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 31 December 2020:

	31 December 2020			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Not overdue	**134,407**	**(859)**	**133,548**	**0.64**
Overdue for less than 30 days	**1,715**	**(6)**	**1,709**	**0.35**
Overdue for 30 to 89 days	**3,763**	**(392)**	**3,371**	**10.42**
Overdue for 90 to 179 days	**2,322**	**(311)**	**2,011**	**13.39**
Overdue for 180 to 360 days	**1,479**	**(69)**	**1,410**	**4.67**
Overdue for more than 360 days	**18,528**	**(7,767)**	**10,761**	**41.92**
POCI	**1,365**	**(543)**	**822**	**39.78**
Total individually insignificant corporate loans	**163,579**	**(9,947)**	**153,632**	**6.08**
Mortgage loans				
Not overdue	**27,177**	**(108)**	**27,069**	**0.40**
Overdue for less than 30 days	**1,249**	**(6)**	**1,243**	**0.48**
Overdue for 30 to 89 days	**518**	**(16)**	**502**	**3.09**
Overdue for 90 to 179 days	**238**	**(68)**	**170**	**28.57**
Overdue for 180 to 360 days	**452**	**(61)**	**391**	**13.50**
Overdue for more than 360 days	**15,000**	**(10,514)**	**4,486**	**70.09**
POCI	**10,729**	**523**	**11,252**	**(4.87)**
Total mortgage loans	**55,363**	**(10,250)**	**45,113**	**18.51**
Consumer loans				
Not overdue	**169,848**	**(6,142)**	**163,706**	**3.62**
Overdue for less than 30 days	**7,117**	**(2,256)**	**4,861**	**31.70**
Overdue for 30 to 89 days	**4,213**	**(2,886)**	**1,327**	**68.50**
Overdue for 90 to 179 days	**5,900**	**(4,826)**	**1,074**	**81.80**
Overdue for 180 to 360 days	**7,838**	**(6,366)**	**1,472**	**81.22**
Overdue for more than 360 days	**6,690**	**(5,368)**	**1,322**	**80.24**
POCI	**1**	**–**	**1**	**0.00**
Total consumer loans	**201,607**	**(27,844)**	**173,763**	**13.81**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2020			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Not overdue	**4,634**	**(1)**	**4,633**	**0.02**
Overdue for less than 30 days	**25**	**–**	**25**	**0.00**
Overdue for 30 to 89 days	**8**	**–**	**8**	**0.00**
Overdue for 90 to 179 days	**–**	**–**	**–**	**–**
Overdue for 180 to 360 days	**3**	**(1)**	**2**	**33.33**
Overdue for more than 360 days	**477**	**(130)**	**347**	**27.25**
Total car loans	**5,147**	**(132)**	**5,015**	**2.56**
Credit cards				
Not overdue	**3,934**	**(424)**	**3,510**	**10.78**
Overdue for less than 30 days	**245**	**(94)**	**151**	**38.37**
Overdue for 30 to 89 days	**163**	**(121)**	**42**	**74.23**
Overdue for 90 to 179 days	**206**	**(143)**	**63**	**69.42**
Overdue for 180 to 360 days	**340**	**(234)**	**106**	**68.82**
Overdue for more than 360 days	**591**	**(358)**	**233**	**60.58**
Total credit cards	**5,479**	**(1,374)**	**4,105**	**25.08**
Other loans secured by collateral				
Not overdue	**84,268**	**(270)**	**83,998**	**0.32**
Overdue for less than 30 days	**7,387**	**(143)**	**7,244**	**1.94**
Overdue for 30 to 89 days	**3,099**	**(162)**	**2,937**	**5.23**
Overdue for 90 to 179 days	**1,839**	**(71)**	**1,768**	**3.86**
Overdue for 180 to 360 days	**3,364**	**(107)**	**3,257**	**3.18**
Overdue for more than 360 days	**33,832**	**(15,919)**	**17,913**	**47.05**
POCI	**18,436**	**748**	**19,184**	**(4.06)**
Total other loans secured by collateral	**152,225**	**(15,924)**	**136,301**	**10.46**
Total individually insignificant loans	**583,400**	**(65,471)**	**517,929**	**11.22**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Information on the quality of individually insignificant loans collectively assessed for impairment at 31 December 2019 is presented in the table below:

	31 December 2019			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Individually insignificant corporate loans				
Not overdue	126,435	(730)	125,705	0.58
Overdue for less than 30 days	2,272	(9)	2,263	0.40
Overdue for 30 to 89 days	2,352	(25)	2,327	1.06
Overdue for 90 to 179 days	1,005	(24)	981	2.39
Overdue for 180 to 360 days	1,209	(136)	1,073	11.25
Overdue for more than 360 days	19,546	(8,676)	10,870	44.39
POCI	31	16	47	(51.61)
Total individually insignificant corporate loans	152,850	(9,584)	143,266	6.27
Mortgage loans				
Not overdue	33,170	(266)	32,904	0.80
Overdue for less than 30 days	1,557	(14)	1,543	0.90
Overdue for 30 to 89 days	668	(21)	647	3.14
Overdue for 90 to 179 days	306	(23)	283	7.52
Overdue for 180 to 360 days	554	(61)	493	11.01
Overdue for more than 360 days	22,632	(9,362)	13,270	41.37
POCI	9,311	1,112	10,423	(11.94)
Total mortgage loans	68,198	(8,635)	59,563	12.66
Consumer loans				
Not overdue	176,889	(3,274)	173,615	1.85
Overdue for less than 30 days	5,506	(795)	4,711	14.44
Overdue for 30 to 89 days	3,376	(1,686)	1,690	49.94
Overdue for 90 to 179 days	3,378	(2,681)	697	79.37
Overdue for 180 to 360 days	1,328	(1,046)	282	78.77
Overdue for more than 360 days	590	(434)	156	73.56
Total consumer loans	191,067	(9,916)	181,151	5.19

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2019			
	Loans before allowance for ECL	***Allowance for ECL***	***Loans less allowance for ECL***	***Allowance for ECL to gross loans before allowance for ECL, (%)***
Car loans				
Not overdue	1,498	(2)	1,496	0.13
Overdue for less than 30 days	6	–	6	0.00
Overdue for 30 to 89 days	4	–	4	0.00
Overdue for 90 to 179 days	4	(2)	2	50.00
Overdue for 180 to 360 days	5	(1)	4	20.00
Overdue for more than 360 days	438	(86)	352	19.63
Total car loans	1,955	(91)	1,864	4.65
Credit cards				
Not overdue	4,801	(988)	3,813	20.58
Overdue for less than 30 days	206	(101)	105	49.03
Overdue for 30 to 89 days	149	(131)	18	87.92
Overdue for 90 to 179 days	139	(116)	23	83.45
Overdue for 180 to 360 days	152	(125)	27	82.24
Overdue for more than 360 days	244	(211)	33	86.48
Total credit cards	5,691	(1,672)	4,019	29.38
Other loans secured by collateral				
Not overdue	119,588	(229)	119,359	0.19
Overdue for less than 30 days	9,279	(34)	9,245	0.37
Overdue for 30 to 89 days	5,896	(39)	5,857	0.66
Overdue for 90 to 179 days	2,106	(42)	2,064	1.99
Overdue for 180 to 360 days	3,162	(169)	2,993	5.34
Overdue for more than 360 days	49,996	(16,210)	33,786	32.42
POCI	13,200	1,761	14,961	(13.34)
Total other loans secured by collateral	203,227	(14,962)	188,265	7.36
Total individually insignificant loans	622,988	(44,860)	578,128	7.20

Analysis of movements in gross carrying amount and ECL allowance

Analysis of movements in gross carrying amount and related ECL for individually insignificant corporate loans for 2020 is as follows:

			2020		
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**120,258**	**6,758**	**25,803**	**31**	**152,850**
New assets originated or purchased	**211,353**	**–**	**–**	**1,159**	**212,512**
Disposal of a subsidiary	**(250)**	**–**	**–**	**–**	**(250)**
Assets derecognised or repaid (excluding write-offs)	**(198,588)**	**(4,250)**	**(7,026)**	**–**	**(209,864)**
Transfers to Stage 1	**7,297**	**(5,834)**	**(1,463)**	**–**	**–**
Transfers to Stage 2	**(10,132)**	**12,001**	**(1,869)**	**–**	**–**
Transfers to Stage 3	**(12,486)**	**(7,150)**	**19,636**	**–**	**–**
Transfers between categories of materiality of loans	**2,410**	**–**	**2,609**	**–**	**5,019**
Net change in accrued interest	**1,752**	**82**	**(781)**	**112**	**1,165**
Unwinding of discount	**–**	**–**	**1,125**	**–**	**1,125**
Recoveries	**–**	**–**	**5,469**	**–**	**5,469**
Write-off	**–**	**–**	**(6,700)**	**–**	**(6,700)**
Effect from changes in exchange rates	**924**	**13**	**1,252**	**64**	**2,253**
At 31 December	**122,538**	**1,620**	**38,055**	**1,366**	**163,579**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

			2020		
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(294)**	**(203)**	**(9,103)**	**16**	**(9,584)**
New assets originated or purchased	**(742)**	**–**	**–**	**–**	**(742)**
Assets derecognised or repaid (excluding write-offs)	**435**	**31**	**5,570**	**8**	**6,044**
Transfers to Stage 1	**(57)**	**54**	**3**	**–**	**–**
Transfers to Stage 2	**18**	**(223)**	**205**	**–**	**–**
Transfers to Stage 3	**14**	**236**	**(250)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**77**	**(10)**	**(5,290)**	**(154)**	**(5,377)**
Transfers between categories of materiality of loans	**–**	**–**	**422**	**–**	**422**
Unwinding of discount	**–**	**–**	**(1,125)**	**–**	**(1,125)**
Recoveries	**–**	**–**	**(5,469)**	**–**	**(5,469)**
Write-off	**–**	**–**	**6,700**	**–**	**6,700**
Effect from changes in exchange rates	**(53)**	**(25)**	**(737)**	**(1)**	**(816)**
At 31 December	**(602)**	**(140)**	**(9,074)**	**(131)**	**(9,947)**

Analysis of movements in gross carrying amount and ECL allowance for individually insignificant corporate loans for 2019 is as follows:

			2019		
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	86,701	5,884	22,475	69	115,129
Acquisition of subsidiaries	23,278	1,497	4,213	–	28,988
New assets originated or purchased	167,536	–	–	25	167,561
Assets derecognised or repaid (excluding write-offs)	(149,683)	(6,660)	(11,766)	(64)	(168,173)
Transfers to Stage 1	1,444	(663)	(781)	–	–
Transfers to Stage 2	(9,182)	9,492	(310)	–	–
Transfers to Stage 3	(2,094)	(2,981)	5,075	–	–
Transfers between categories of materiality of loans	(539)	–	3,700	–	3,161
Net change in accrued interest	2,800	192	1,101	1	4,094
Unwinding of discount	–	–	972	–	972
Recoveries	–	–	3,728	–	3,728
Write-off	–	–	(2,541)	–	(2,541)
Effect from changes in exchange rates	(3)	(3)	(63)	–	(69)
At 31 December	120,258	6,758	25,803	31	152,850

			2019		
Individually insignificant corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	–	(30)	(5,881)	13	(5,898)
Acquisition of subsidiaries	(6)	(4)	(1,123)	–	(1,133)
New assets originated or purchased	(245)	–	–	–	(245)
Assets derecognised or repaid (excluding write-offs)	555	166	3,830	4	4,555
Transfers to Stage 1	(73)	70	3	–	–
Transfers to Stage 2	22	(169)	147	–	–
Transfers to Stage 3	40	125	(165)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(596)	(361)	(2,845)	(1)	(3,803)
Transfers between categories of materiality of loans	8	–	(899)	–	(891)
Unwinding of discount	–	–	(972)	–	(972)
Recoveries	–	–	(3,728)	–	(3,728)
Write-off	–	–	2,541	–	2,541
Effect from changes in exchange rates	1	–	(11)	–	(10)
At 31 December	(294)	(203)	(9,103)	16	(9,584)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2020 is as follows:

			2020		
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**32,797**	**1,463**	**24,627**	**9,311**	**68,198**
New assets originated or purchased	**4,128**	**–**	**–**	**1,628**	**5,756**
Disposal of subsidiary	**(16)**	**–**	**–**	**–**	**(16)**
Assets derecognised or repaid (excluding write-offs)	**(9,752)**	**(527)**	**(4,123)**	**–**	**(14,402)**
Transfers to Stage 1	**2,221**	**(1,605)**	**(616)**	**–**	**–**
Transfers to Stage 2	**(1,618)**	**1,781**	**(163)**	**–**	**–**
Transfers to Stage 3	**(607)**	**(705)**	**1,312**	**–**	**–**
Net change in accrued interest	**377**	**6**	**(564)**	**167**	**(14)**
Unwinding of discount	**–**	**–**	**1,792**	**–**	**1,792**
Recoveries	**–**	**–**	**2,011**	**–**	**2,011**
Write-off	**–**	**–**	**(7,798)**	**(429)**	**(8,227)**
Effect from changes in exchange rates	**132**	**3**	**77**	**53**	**265**
At 31 December	**27,662**	**416**	**16,555**	**10,730**	**55,363**

			2020		
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(81)**	**(10)**	**(9,656)**	**1,112**	**(8,635)**
New assets originated or purchased	**(22)**	**–**	**–**	**–**	**(22)**
Assets derecognised or repaid (excluding write-offs)	**114**	**5**	**2,289**	**710**	**3,118**
Transfers to Stage 1	**(57)**	**19**	**38**	**–**	**–**
Transfers to Stage 2	**10**	**(18)**	**8**	**–**	**–**
Transfers to Stage 3	**–**	**18**	**(18)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**–**	**(40)**	**(7,288)**	**(1,750)**	**(9,078)**
Unwinding of discount	**–**	**–**	**(1,792)**	**–**	**(1,792)**
Recoveries	**–**	**–**	**(2,011)**	**–**	**(2,011)**
Write-off	**–**	**–**	**7,798**	**429**	**8,227**
Effect from changes in exchange rates	**9**	**24**	**(90)**	**–**	**(57)**
At 31 December	**(27)**	**(2)**	**(10,722)**	**501**	**(10,250)**

Analysis of movements in gross carrying amount and related ECL for mortgage loans for 2019 is as follows:

			2019		
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	37,512	1,826	32,796	5,644	77,778
Acquisition of subsidiaries	1,943	130	390	809	3,272
New assets originated or purchased	7,801	–	–	6,163	13,964
Assets derecognised or repaid (excluding write-offs)	(14,590)	(384)	(11,650)	(3,831)	(30,455)
Transfers to Stage 1	312	(216)	(96)	–	–
Transfers to Stage 2	(657)	770	(113)	–	–
Transfers to Stage 3	(485)	(702)	1,187	–	–
Net change in accrued interest	961	45	3,594	287	4,887
Unwinding of discount	–	–	1,378	–	1,378
Recoveries	–	–	5,086	270	5,356
Write-off	–	–	(7,902)	(31)	(7,933)
Effect from changes in exchange rates	–	(6)	(43)	–	(49)
At 31 December	32,797	1,463	24,627	9,311	68,198

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

			2019		
Mortgage loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(92)	(22)	(10,087)	108	(10,093)
Acquisition of subsidiaries	–	–	(68)	–	(68)
New assets originated or purchased	(22)	–	–	–	(22)
Assets derecognised or repaid (excluding write-offs)	172	25	5,102	419	5,718
Transfers to Stage 1	(54)	31	23	–	–
Transfers to Stage 2	5	(18)	13	–	–
Transfers to Stage 3	–	18	(18)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(90)	(44)	(6,059)	832	(5,361)
Unwinding of discount	–	–	(1,378)	–	(1,378)
Recoveries	–	–	(5,086)	(270)	(5,356)
Write-off	–	–	7,902	23	7,925
At 31 December	(81)	(10)	(9,656)	1,112	(8,635)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2020 is as follows:

			2020		
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**182,768**	**3,326**	**4,972**	**1**	**191,067**
New assets originated or purchased	**106,981**	**–**	**–**	**–**	**106,981**
Assets derecognised or repaid (excluding write-offs)	**(96,914)**	**(476)**	**(1,222)**	**(1)**	**(98,613)**
Transfers to Stage 1	**6,172**	**(5,078)**	**(1,094)**	**–**	**–**
Transfers to Stage 2	**(16,534)**	**16,801**	**(267)**	**–**	**–**
Transfers to Stage 3	**(8,662)**	**(10,544)**	**19,206**	**–**	**–**
Net change in accrued interest	**2,392**	**65**	**343**	**1**	**2,801**
Unwinding of discount	**–**	**–**	**2,931**	**–**	**2,931**
Recoveries	**–**	**–**	**52**	**–**	**52**
Write-off	**–**	**(43)**	**(3,576)**	**–**	**(3,619)**
Effect from changes in exchange rates	**–**	**–**	**7**	**–**	**7**
At 31 December	**176,203**	**4,051**	**21,352**	**1**	**201,607**

			2020		
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(4,006)**	**(1,603)**	**(4,307)**	**–**	**(9,916)**
New assets originated or purchased	**(2,879)**	**–**	**–**	**–**	**(2,879)**
Assets derecognised or repaid (excluding write-offs)	**2,366**	**134**	**382**	**–**	**2,882**
Transfers to Stage 1	**(4,162)**	**3,147**	**1,015**	**–**	**–**
Transfers to Stage 2	**621**	**(866)**	**245**	**–**	**–**
Transfers to Stage 3	**322**	**6,569**	**(6,891)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**409**	**(10,291)**	**(8,623)**	**(55)**	**(18,560)**
Unwinding of discount	**–**	**–**	**(2,931)**	**–**	**(2,931)**
Recoveries	**–**	**–**	**(52)**	**–**	**(52)**
Write-off	**–**	**43**	**3,576**	**–**	**3,619**
Effect from changes in exchange rates	**–**	**–**	**(7)**	**–**	**(7)**
At 31 December	**(7,329)**	**(2,867)**	**(17,593)**	**(55)**	**(27,844)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for consumer loans for 2019 is as follows:

			2019		
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	120,789	1,756	9,755	–	132,300
Acquisition of subsidiaries	3,007	130	313	–	3,450
New assets originated or purchased	169,420	–	–	–	169,420
Assets derecognised or repaid (excluding write-offs)	(104,535)	(1,398)	(4,256)	–	(110,189)
Transfers to Stage 1	668	(446)	(222)	–	–
Transfers to Stage 2	(9,499)	9,555	(56)	–	–
Transfers to Stage 3	(2,458)	(6,373)	8,831	–	–
Net change in accrued interest	5,376	102	220	–	5,698
Unwinding of discount	–	–	2,174	–	2,174
Recoveries	–	–	704	–	704
Write-offs	–	–	(12,490)	–	(12,490)
At 31 December	182,768	3,326	4,973	–	191,067

			2019		
Consumer loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(2,074)	(688)	(7,667)	–	(10,429)
Acquisition of subsidiaries	(266)	(60)	(227)	–	(553)
New assets originated or purchased	(2,875)	(2)	(3)	–	(2,880)
Assets derecognised or repaid (excluding write-offs)	1,945	338	4,091	–	6,374
Transfers to Stage 1	(1,479)	1,075	404	–	–
Transfers to Stage 2	593	(673)	80	–	–
Transfers to Stage 3	371	2,888	(3,259)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(221)	(4,481)	(7,338)	–	(12,040)
Unwinding of discount	–	–	(2,174)	–	(2,174)
Recoveries	–	–	(704)	–	(704)
Write-off	–	–	12,490	–	12,490
At 31 December	(4,006)	(1,603)	(4,307)	–	(9,916)

Analysis of movements in gross carrying amount and related ECL for car loans for 2020 is as follows:

			2020		
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**1,495**	**2**	**458**	**–**	**1,955**
New assets originated or purchased	**5,986**	**–**	**–**	**–**	**5,986**
Assets derecognised or repaid (excluding write-offs)	**(2,880)**	**–**	**(25)**	**–**	**(2,905)**
Transfers to Stage 1	**4**	**(2)**	**(2)**	**–**	**–**
Transfers to Stage 2	**(24)**	**24**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(19)**	**19**	**–**	**–**
Net change in accrued interest	**64**	**–**	**7**	**–**	**71**
Unwinding of discount	**–**	**–**	**22**	**–**	**22**
Recoveries	**–**	**–**	**20**	**–**	**20**
Write-off	**–**	**–**	**(15)**	**–**	**(15)**
Effect from changes in exchange rates	**12**	**–**	**1**	**–**	**13**
At 31 December	**4,657**	**5**	**485**	**–**	**5,147**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

			2020		
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**–**	**–**	**(91)**	**–**	**(91)**
New assets originated or purchased	**(7)**	**–**	**–**	**–**	**(7)**
Assets derecognised or repaid (excluding write-offs)	**3**	**–**	**14**	**–**	**17**
Transfers to Stage 1	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**3**	**–**	**(26)**	**–**	**(23)**
Unwinding of discount	**–**	**–**	**(22)**	**–**	**(22)**
Recoveries	**–**	**–**	**(20)**	**–**	**(20)**
Write-off	**–**	**–**	**15**	**–**	**15**
Effect from changes in exchange rates	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December	**(1)**	**–**	**(131)**	**–**	**(132)**

Analysis of movements in gross carrying amount and related ECL for car loans for 2019 is as follows:

			2019		
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	1,401	5	2,120	–	3,526
Acquisition of subsidiaries	26	–	–	–	26
New assets originated or purchased	752	–	–	–	752
Assets derecognised or repaid (excluding write-offs)	(722)	(4)	(924)	–	(1,650)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(2)	5	(3)	–	–
Transfers to Stage 3	(2)	(2)	4	–	–
Net change in accrued interest	42	(2)	875	–	915
Unwinding of discount	–	–	45	–	45
Recoveries	–	–	182	–	182
Write-offs	–	–	(1,841)	–	(1,841)
At 31 December	1,495	2	458	–	1,955

			2019		
Car loans	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	–	–	(483)	–	(483)
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	–	–	896	–	896
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	1	–	(2,118)	–	(2,117)
Unwinding of discount	–	–	(45)	–	(45)
Recoveries	–	–	(182)	–	(182)
Write-off	–	–	1,841	–	1,841
At 31 December	–	–	(91)	–	(91)

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for credit cards for 2020 is as follows:

			2020		
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**4,903**	**168**	**620**	**–**	**5,691**
New assets originated or purchased	**29,905**	**–**	**–**	**–**	**29,905**
Disposal of subsidiary	**(105)**	**(3)**	**(55)**	**–**	**(163)**
Assets derecognised or repaid (excluding write-offs)	**(29,264)**	**(6)**	**(3)**	**–**	**(29,273)**
Transfers to Stage 1	**361**	**(231)**	**(130)**	**–**	**–**
Transfers to Stage 2	**(743)**	**770**	**(27)**	**–**	**–**
Transfers to Stage 3	**(339)**	**(556)**	**895**	**–**	**–**
Net change in accrued interest	**104**	**–**	**25**	**–**	**129**
Unwinding of discount	**–**	**–**	**94**	**–**	**94**
Recoveries	**–**	**–**	**3**	**–**	**3**
Write-off	**–**	**–**	**(131)**	**–**	**(131)**
Effect from changes in exchange rates	**(598)**	**(18)**	**(160)**	**–**	**(776)**
At 31 December	**4,224**	**124**	**1,131**	**–**	**5,479**

			2020		
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(995)**	**(156)**	**(521)**	**–**	**(1,672)**
New assets originated or purchased	**(3,807)**	**(1)**	**–**	**–**	**(3,808)**
Assets derecognised or repaid (excluding write-offs)	**4,170**	**2**	**3**	**–**	**4,175**
Transfers to Stage 1	**(190)**	**83**	**107**	**–**	**–**
Transfers to Stage 2	**116**	**(137)**	**21**	**–**	**–**
Transfers to Stage 3	**81**	**160**	**(241)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**(305)**	**(75)**	**(290)**	**–**	**(670)**
Unwinding of discount	**–**	**–**	**(94)**	**–**	**(94)**
Recoveries	**–**	**–**	**(3)**	**–**	**(3)**
Write-off	**–**	**–**	**131**	**–**	**131**
Effect from changes in exchange rates	**407**	**10**	**150**	**–**	**567**
At 31 December	**(523)**	**(114)**	**(737)**	**–**	**(1,374)**

Analysis of movements in gross carrying amount and related ECL for credit cards for 2019 is as follows:

			2019		
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	2,114	56	217	–	2,387
Acquisition of subsidiaries	539	5	84	–	628
New assets originated or purchased	21,751	–	–	–	21,751
Assets derecognised or repaid (excluding write-offs)	(19,309)	(2)	(191)	–	(19,502)
Transfers to Stage 1	97	(69)	(28)	–	–
Transfers to Stage 2	(174)	194	(20)	–	–
Transfers to Stage 3	(323)	(250)	573	–	–
Net change in accrued interest	208	234	26	–	468
Unwinding of discount	–	–	69	–	69
Recoveries	–	–	16	–	16
Write-offs	–	–	(126)	–	(126)
Effect from changes in exchange rates	–	–	–	–	–
At 31 December	4,903	168	620	–	5,691

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

			2019		
Credit cards	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(453)	(48)	(184)	–	(685)
Acquisition of subsidiaries	(16)	(1)	(77)	–	(94)
New assets originated or purchased	(1,069)	–	–	–	(1,069)
Assets derecognised or repaid (excluding write-offs)	832	19	44	–	895
Transfers to Stage 1	(88)	63	25	–	–
Transfers to Stage 2	45	(28)	(17)	–	–
Transfers to Stage 3	49	210	(259)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(295)	(373)	(94)	–	(762)
Unwinding of discount	–	–	(69)	–	(69)
Recoveries	–	–	(16)	–	(16)
Write-off	–	–	126	–	126
Effect from changes in exchange rates	–	2	–	–	2
At 31 December	(995)	(156)	(521)	–	(1,672)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2020 is as follows:

			2020		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	**124,553**	**6,801**	**58,674**	**13,199**	**203,227**
New assets originated or purchased	**17,003**	**–**	**–**	**5,526**	**22,529**
Disposal of subsidiary	**(70)**	**–**	**–**	**–**	**(70)**
Assets derecognised or repaid (excluding write-offs)	**(53,481)**	**(1,676)**	**(12,596)**	**–**	**(67,753)**
Transfers to Stage 1	**4,957**	**(3,227)**	**(1,730)**	**–**	**–**
Transfers to Stage 2	**(8,492)**	**10,014**	**(1,522)**	**–**	**–**
Transfers to Stage 3	**(2,062)**	**(10,088)**	**12,150**	**–**	**–**
Net change in accrued interest	**1,145**	**126**	**1,350**	**260**	**2,881**
Unwinding of discount	**–**	**–**	**3,560**	**–**	**3,560**
Recoveries	**–**	**–**	**3,532**	**–**	**3,532**
Write-off	**–**	**–**	**(15,428)**	**(597)**	**(16,025)**
Effect from changes in exchange rates	**160**	**4**	**131**	**49**	**344**
At 31 December	**83,713**	**1,954**	**48,121**	**18,437**	**152,225**

			2020		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	**(132)**	**(28)**	**(16,563)**	**1,761**	**(14,962)**
New assets originated or purchased	**(167)**	**–**	**–**	**–**	**(167)**
Assets derecognised or repaid (excluding write-offs)	**26**	**15**	**3,724**	**160**	**3,925**
Transfers to Stage 1	**(131)**	**61**	**70**	**–**	**–**
Transfers to Stage 2	**14**	**(52)**	**38**	**–**	**–**
Transfers to Stage 3	**32**	**44**	**(76)**	**–**	**–**
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	**286**	**(57)**	**(11,671)**	**(2,106)**	**(13,548)**
Unwinding of discount	**–**	**–**	**(3,560)**	**–**	**(3,560)**
Recoveries	**–**	**–**	**(3,532)**	**–**	**(3,532)**
Write-off	**–**	**–**	**15,428**	**597**	**16,025**
Effect from changes in exchange rates	**–**	**–**	**(105)**	**–**	**(105)**
At 31 December	**(72)**	**(17)**	**(16,247)**	**412**	**(15,924)**

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

Analysis of movements in gross carrying amount and related ECL for collateralised loans for 2019 is as follows:

			2019		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January	99,135	6,816	66,365	6,723	179,039
Acquisition of subsidiaries	29,915	885	4,219	1,032	36,051
New assets originated or purchased	64,540	–	–	12,560	77,100
Assets derecognised or repaid (excluding write-offs)	(66,004)	(2,363)	(8,816)	(7,547)	(84,730)
Transfers to Stage 1	2,894	(1,798)	(1,096)	–	–
Transfers to Stage 2	(6,803)	7,608	(805)	–	–
Transfers to Stage 3	(1,938)	(4,543)	6,481	–	–
Net change in accrued interest	2,820	196	1,285	391	4,692
Unwinding of discount	–	–	2,711	–	2,711
Recoveries	–	–	6,455	–	6,455
Write-off	–	–	(18,071)	40	(18,031)
Effect from changes in exchange rates	(6)	–	(54)	–	(60)
At 31 December	124,553	6,801	58,674	13,199	203,227

			2019		
Other loans secured by collateral	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January	(72)	(23)	(16,767)	453	(16,409)
Acquisition of subsidiaries	(4)	(9)	(222)	–	(235)
New assets originated or purchased	(287)	–	–	–	(287)
Assets derecognised or repaid (excluding write-offs)	270	27	6,802	69	7,168
Transfers to Stage 1	(98)	41	57	–	–
Transfers to Stage 2	17	(80)	63	–	–
Transfers to Stage 3	24	55	(79)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	18	(39)	(15,392)	1,279	(14,134)
Unwinding of discount	–	–	(2,711)	–	(2,711)
Recoveries	–	–	(6,455)	–	(6,455)
Write-off	–	–	18,071	(40)	18,031
Effect from changes in exchange rates	–	–	70	–	70
At 31 December	(132)	(28)	(16,563)	1,761	(14,962)

The table below includes an analysis of credit impaired loans presented at Stage 3 and POCI loans:

	31 December 2020	***31 December 2019***
Stage 3 and POCI		
Non-performing loans that are not past due	**8,823**	12,309
Past due non-performing loans and renegotiated loans	**52,966**	60,933
Other credit-impaired loans	**152,980**	102,791
	214,769	176,033
Allowance for ECL	**(68,192)**	(63,493)
	146,577	112,540

Non-performing loans in the table above represent loans that were credit-impaired as at 1 October 2014 and were transferred to the Bank's bad debts division.

(millions of tenge)

15. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in gross carrying amount and ECL allowance (continued)

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised in 2020 and 2019 were as follows:

	2020	***2019***
Mortgage loans	**629**	626
Other loans secured by collateral	**702**	1,101
Total undiscounted ECL at initial recognition of POCI	**1,331**	1,727

In 2020, the Group converted and forgiven foreign currency loans as part of the government program for refinancing mortgage and housing loans to customers. At the time of conversion and forgiveness, the carrying amount of these loans was KZT 23,768 million. All loans were at the time of conversion in Stage 3. Conversion and forgiveness were also subject to previously written off loans, for which the right of claim was not terminated. As a result of loan conversion and forgiveness, the Group recognized a loss on derecognition of loans to customers in the amount of KZT 15,670 million.

Under this government program, the Group attracted deposits from Kazakhstan Stability Fund JSC with a nominal interest rate of 0.10% to 2.99% per annum and maturing at the end of the term in 2038-2050 *(Note 20)*. Gain on initial recognition of borrowed funds amounted to KZT 26,879 million and was recognized net of loss as a result of derecognition of loans to customers under "Net gains/(losses) on derecognition of financial assets measured at amortized cost".

Modified and restructured loans

For 2020, the Group modified the terms of some mortgage and consumer loans, including granting loan holidays, as part of the measures imposed by the government in response to the impact of the COVID-19 pandemic. As a result, the Group recognized a loss on modification of the terms of loans to customers in the amount of KZT 2,005 million in other expenses of the consolidated statement of comprehensive income.

In 2020, the Group made some changes to the process for assessing expected credit losses due to the ongoing COVID-19 pandemic. In particular, it revised the indicators of a significant increase in credit risk and did not automatically conclude that there was a significant increase in credit risk if the loan was modified as a result of the implementation of government support measures. The group also updated its forward-looking information, including forecasts of macroeconomic indicators.

In addition, the Group's management made additional adjustments to the already recognized expected credit losses as at 31 December 2020 in the amount of KZT 617 million.

Collateral and other credit enhancements

Individually significant corporate loans are subject to assessment and impairment testing on an individual basis. The creditworthiness of a corporate customer is generally the main indicator of the issued credit quality. However, collateral represents additional guarantees, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals such as shareholders of borrowers represented by small and medium-sized businesses are not taken into account in assessing the impairment.

For certain mortgage loans and other loans to individuals, the Group updates the estimated value of collateral at inception of the loan to its current value using automatic revaluation based on analytical price bases based on current information on the real estate market. The Group may also carry out a specific individual valuation of collateral at each reporting date.

The amount and type of collateral required by the Group depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, charges over residential properties.

As at 31 December 2020, loans net of ECL allowance overdue over 90 days amount to KZT 55,157 million (as at 31 December 2019: KZT 80,961 million). As at 31 December 2020, the total fair value of collateral securing such loans, limited to the gross value of the respective loans, amounted to KZT 69,011 million (31 December 2018: KZT 121,345 million).

(millions of tenge)

15. Loans to customers (continued)

Collateral and other credit enhancements (continued)

Repossessed collateral

In 2020, the Group received property classified within other assets with a carrying amount of KZT 7.717 million (2019: KZT 12,592 million) by obtaining control over collateral for loans to customers *(Note 18)*. The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 December 2020, the Group had a concentration of loans represented by KZT 130,709 million due from the ten largest independent borrowers or 16% of gross loan portfolio (31 December 2019: KZT 120,211 million or 14% of gross loan portfolio). Allowance for ECL on these loans is KZT 2,431 million (31 December 2019: KZT 1,201 million).

Industry and geographical analysis of loans

Loans were issued primarily to customers located within the Republic of Kazakhstan operating in the following economic sectors:

	31 December 2020	*31 December 2019*
Loans to retail customers	**419,821**	470,138
Metallurgy	**60,180**	61,447
Real estate activities	**49,556**	50,495
Wholesale trading	**48,433**	60,512
Services provided by small and medium businesses	**44,486**	40,185
Retail services	**35,793**	33,624
Food industry	**21,514**	18,696
Financial services	**20,831**	15,748
Construction	**20,475**	34,082
Transportation	**16,543**	12,063
Textile production	**7,154**	5,943
Agriculture	**6,752**	2,907
Post and communications	**6,100**	1,111
Production of crude oil and natural gas	**5,924**	6,763
Production of metal goods	**3,026**	3,233
Chemical industry	**2,326**	1,373
Manufacturing	**1,924**	2,429
Machine-building	**554**	462
Other	**61,635**	36,143
	833,027	857,354
Allowance for ECL	**(83,285)**	(72,286)
	749,742	785,068

(millions of tenge)

16. Investment securities

Investment securities, including those pledged under repurchase agreements, comprise:

	31 December 2020	*31 December 2019*
Debt securities at amortised cost		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	**6,543**	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**17,128**	19,398
Bonds of foreign countries rated at BB- to BB+	**848**	771
Total government bonds	**24,519**	20,169
Corporate bonds		
Rated from BBB- to BBB+	**82,935**	76,655
Rated from BB- to BB+	**160,804**	160,266
Total corporate bonds	**243,739**	236,921
Bonds of banks		
Rated from BB- to BB +	**1,639**	–
Rated from B- to B+	**5,208**	4,760
Total bonds of banks	**6,847**	4,760
Investment securities measured at amortised cost before ECL allowance	**275,105**	261,850
Allowance for ECL	**(932)**	(808)
Investment securities measured at amortised cost	**274,173**	261,042
Debt securities at FVOCI		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	**91,083**	265,726
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	**276,764**	90,793
Bonds of the Sultanate of Oman rated at BB	**1,265**	1,156
Total government bonds	**369,112**	357,675
Corporate bonds		
Rated from AA- to AA+	**–**	794
Rated from BBB- to BBB+	**81,341**	36,517
Rated from BB- to BB+	**435**	–
Total corporate bonds	**81,776**	37,311
Bonds of banks		
Rated from A- to A+	**–**	8,259
Rated from BBB- to BBB+	**12,124**	18,723
Rated from BB- to BB+	**38,455**	30,521
Rated below B+	**4,455**	5,935
Total bonds of banks	**55,034**	63,438
Investment securities measured at FVOCI	**505,922**	458,424

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

As at 31 December 2020, investment securities measured at FVOCI, represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, with a fair value of KZT 23,466 million, were pledged under the repurchase agreements entered into at the KASE *(Note 27)*.

As at 31 December 2019, investment securities at FVOCI represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan, NBRK notes and corporate bonds of Baspana Mortgage Organization JSC with the fair value of KZT 44,238 million, KZT 59,667 million and KZT 15,185 million, respectively, were pledged under the repurchase agreements entered into on KASE *(Note 27)*.

(millions of tenge)

16. Investment securities (continued)

In September 2019, the Group purchased new bonds of NAC Kazatomprom JSC indexed to the US Dollar and maturing on 27 October 2024 with a nominal value of KZT 70,000 million and bearing a coupon of 4% per annum. Fair value of the bonds at initial recognition amounted to KZT 77,053 million estimated using the effective interest rate of 1.89% p.a. The gain on initial recognition of bonds recognized in the consolidated statement of comprehensive income amounted to KZT 7,053 million. The Group classified these bonds as investment securities measured at amortised cost.

On 25 September 2018 and 28 September 2018, the Group acquired corporate bonds of Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC maturing on 15 November 2024 and classified them as investment securities measured at amortized cost with fair value at initial recognition of KZT 75,274 million and KZT 75,275 million, respectively.

The Group's debt securities issued held by Sovereign Wealth Fund Samruk-Kazyna JSC *(Note 21)*, with a total nominal value of KZT 220,000 million, serve as collateral for liabilities to the Group on the above mentioned bonds.

(millions of tenge)

17. Property and equipment

The movements in property and equipment were as follows:

	Land	*Buildings*	*Computers*	*Vehicles*	*Construction-in-progress and assets to be installed*	*Other*	*Right-of-use asset*	*Total*
Cost								
At 1 January 2019	1,614	35,751	3,391	407	2,912	20,444	–	64,519
Effect of adoption of IFRS 16	–	–	–	–	–	–	6,764	6,764
Acquisition through business combinations	322	4,502	808	26	–	1,194	276	7,128
Additions	1,213	5,359	1,362	56	4,519	6,018	1,219	19,746
Transfers	–	–	(115)	–	(195)	310	–	–
Disposals	(6)	(2,265)	(455)	(8)	–	(725)	(5,706)	(9,165)
At 31 December 2019	3,143	43,347	4,991	481	7,236	27,241	2,553	88,992
Additions	**15**	**242**	**1,117**	**5**	**860**	**3,876**	**1,516**	**7,631**
Transfers	**–**	**4,162**	**41**	**–**	**(6,869)**	**1,717**	**–**	**(949)**
Disposals	**(30)**	**(19)**	**(152)**	**(7)**	**–**	**(1,173)**	**(929)**	**(2,310)**
Disposals as a result of sale of a subsidiary *(Note 28)*	**(486)**	**(3,503)**	**(752)**	**(26)**	**–**	**(959)**	**(252)**	**(5,978)**
At 31 December 2020	**2,642**	**44,229**	**5,245**	**453**	**1,227**	**30,702**	**2,888**	**87,386**
Accumulated depreciation								
At 1 January 2019	–	(2,887)	(1,744)	(247)	–	(8,145)	–	(13,023)
Effect of adoption of IFRS 16	–	–	–	–	–	–	(1,311)	(1,311)
Acquisition through business combinations	–	(209)	(476)	(3)	–	(562)	(31)	(1,281)
Depreciation charge for the year	–	(978)	(518)	(53)	–	(3,061)	(802)	(5,412)
Transfers	–	–	–	–	–	–	–	–
Disposals	–	653	364	4	–	343	1,326	2,690
At 31 December 2019	–	(3,421)	(2,374)	(299)	–	(11,425)	(818)	(18,337)
Depreciation charge for the year	**–**	**(1,078)**	**(732)**	**(52)**	**–**	**(3,804)**	**(625)**	**(6,291)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**19**	**109**	**6**	**–**	**1,032**	**384**	**1,550**
Disposals as a result of sale of a subsidiary *(Note 28)*	**–**	**330**	**481**	**7**	**–**	**556**	**132**	**1,506**
At 31 December 2020	**–**	**(4,150)**	**(2,516)**	**(338)**	**–**	**(13,641)**	**(927)**	**(21,572)**
Net book value								
At 1 January 2019	1,614	32,864	1,647	160	2,912	12,299	–	51,496
At 31 December 2019	3,143	39,926	2,617	182	7,236	15,816	1,735	70,655
At 31 December 2020	**2,642**	**40,079**	**2,729**	**115**	**1,227**	**17,061**	**1,961**	**65,814**

(millions of tenge)

18. Other assets

Other assets comprise:

	31 December 2020	*31 December 2019*
Other accounts receivable from bank activities	**13,558**	12,323
Other accounts receivable	**14,940**	17,472
	28,498	29,795
Allowance for ECL	**(4,294)**	(3,014)
Other financial assets	**24,204**	26,781
Repossessed collateral	**51,694**	59,684
Prepyaments and other receivables	**4,485**	7,141
Prepaid taxes, other than corporate income tax	**2,766**	2,630
Investment property	**2,908**	592
Inventories held for sale	**1,956**	5,648
Inventories	**1,001**	624
Other	**765**	65
	65,575	76,384
Allowance for impairment	**(44)**	(122)
Other non-financial assets	**65,531**	76,262
Total other assets	**89,735**	103,043

The Group took possession of collateral with an assessed value of KZT 7,717 million during 2020 (during 2019: KZT 12,592 million). Even though the Group is currently actively trying to sell these assets, most of them were not sold within a short period of time. Management still intends to sell the repossessed collateral.

19. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	31 December 2020	*31 December 2019*
Current accounts and demand deposits		
- Retail customers	**84,652**	77,686
- Corporate customers	**369,583**	366,126
Time deposits		
- Retail customers	**437,787**	502,476
- Corporate customers	**419,687**	326,046
Guarantee deposits		
- Retail customers	**18,148**	23,538
- Corporate customers	**57,310**	41,077
	1,387,167	1,336,949
Held as security against letters of credit and guarantees ***(Note 31)***	**(483)**	(1,689)

Concentration of current accounts and deposits of customers

As at 31 December 2020, total amount of account balances of top 10 clients amounted to KZT 300,912 million or 22% of total current accounts and deposits of customers (31 December 2019: KZT 193,526 million or 14%).

As at 31 December 2020, the Group's outstanding balance of accounts and deposits of individuals and individual entrepreneurs amounted to KZT 232,166 million (31 December 2019: KZT 245,716 million) with limited insurance coverage KDIF on behalf of the Government of the Republic of Kazakhstan.

In accordance with the Kazakhstan Civil Code, the Bank is obliged to issue the amount of the deposit at the first request of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms stipulated in the agreement.

(millions of tenge)

20. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise:

	31 December 2020	*31 December 2019*
Loans and deposits from governmental organizations	**48,565**	82,990
Amounts due to Kazakhstan Sustainability Fund JSC	**57,422**	27,272
Loans from other financial institutions	**22,553**	7,543
Current accounts and deposits of banks	**1,930**	1
	130,470	117,806

As at 31 December 2020, loans from public institutions included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of KZT 32,417 million and KZT 13,015 million, respectively (31 December 2019: KZT 68,136 million and KZT 10,984 million, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2021-2035.

As at 31 December 2020, amounts due to Kazakhstan Sustainability Fund JSC included funds in the amount of KZT 46,756 million received as part of the implementation of measures of the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These liabilities include deposits denominated in tenge in the amount of 18.967 million tenge, with a nominal rate of 5.00% per annum and maturing in 2021, and funds in the amount of 27.789 million tenge that are not subject to accrual and payment of interest is not provided for until the above funds are utilized by the Bank *(Note 13)*.

As at 31 December 2020, amounts due to Kazakhstan Sustainability Fund JSC also include deposits in the amount of KZT 10,666 million (31 December 2019: KZT 27,272 million) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038-2050 at the end of the term. The fair value of deposits attracted at initial recognition was determined by the Group using market rates ranging from 13.50% to 13.93% per annum (in 2019: from 17.13% to 18.50% per annum). In 2020, the Group recognized net income from government grants less loss on derecognition of loans to customers in the amount of KZT 11,209 million in the consolidated statement of comprehensive income. In 2019, net loss from derecognition of loans to customers, net of government grants, is amounted to KZT 4,133 million.

In February 2020, the Bank entered into agreements with KSF under the program approved by NBRK to refinance the residential mortgage loans, according to which the terms of the deposits were extended to 30 years. Refunds of the deposits will be made at the end of the term. As a result of modification of the contractual terms of deposits, the Bank recognized a gain on derecognition of these instruments in the amount of KZT 17,956 million, as well as a related effect on deferred corporate income tax of KZT 3,591 million in the consolidated statement of comprehensive income *(Note 15)*.

As at 31 December 2020 loans from other financial institutions include loans in the amount of KZT 22,553 million (31 December 2019: KZT 3,267 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in KZT, bear interest rate of 8.55% per annum and mature in 2023. As at 31 December 2020, a deposit in the amount of KZT 25.245 million placed by the Bank with the EBRD acts as collateral for these liabilities *(Note 13)*.

21. Debt securities issued

Debt securities issued comprise:

	Maturity	*Coupon rate*	*31 December 2020*	*31 December 2019*
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	**16,829**	14,946
Eurobonds issued in 2010	2022	14.00%	**15,136**	13,757
			31,965	28,703
Bonds in KZT				
Bonds issued in 2018	2024	4.00%	**159,837**	148,755
Bonds issued in 2015	2025	10.13%	**48,400**	47,813
Bonds issued in 2010	2020	8.00% (1.00% + inflation index)	**–**	3,992
			208,237	200,560
			240,202	229,263

(millions of tenge)

21. Debt securities issued (continued)

In September 2018, the Group issued debt securities with a total nominal value of KZT 220,000 million with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in the amount of KZT 220,000 million deposit placed with the Bank on similar terms.

As at 31 December 2019 the bonds denominated in tenge and issued in 2010, were secured by the Group's mortgage loans issued to clients with a total value of KZT 11,158 million. On 27 February 2020 the Group redeemed these bonds in accordance with the contractual terms.

During 2020, the Bank placed debt securities in the total amount of USD 3,900,000 (equivalent to KZT 1,494 million) issued on 5 August 2019 as part of the issue of private bonds with a total nominal value of USD 100,000,000 listed on Astana International Exchange.

In August 2020, the Bank repurchased bonds issued in 2019 for the total amount of USD 3,000,000 (KZT equivalent at the date of transaction – KZT 1,256 million).

22. Subordinated debt

Subordinated debt comprises:

	31 December 2020	*31 December 2019*
Subordinated debt securities issued	**20,503**	22,648
Long-term loans in tenge	**–**	1,919
Long-term loans in US dollars	**–**	364
Debt component of preferred shares	**–**	1,020
	20,503	25,951

As at 31 December 2020 subordinated debt securities include subordinated bonds denominated in tenge, with maturity in 2022-2031 (31 December 2019: 2020-2031) and a fixed coupon rate of 8% per annum (31 December 2019: 8% per annum). The coupon is paid every six months.

In accordance with the contractual terms on 14 April 2020, the Bank redeemed subordinated debt securities issued in the amount of KZT 2,200 million.

23. Share capital

The number of authorised, placed and outstanding ordinary shares and share capital as at 31 December 2020 and 2019 are as follows:

	31 December 2020	*31 December 2019*
Common shares		
Number of authorised shares	**150,003,000,000**	150,003,000,000
Number of issued shares	**92,387,104,089**	92,387,104,089
Number of repurchased shares	**(3,391,835,697)**	(2,893,522,817)
Number of outstanding shares	**88,995,268,392**	89,493,581,272
Total share capital, millions of tenge	**327,555**	328,377

Movements in outstanding, placed and fully paid shares were as follows:

	Quantity of ordinary shares	*Placement value of common shares, in KZT million*
At 1 January 2020	89,493,581,272	328,377
Repurchase of own shares	**(498,312,880)**	**(822)**
At 31 December 2020	**88,995,268,392**	**327,555**
At 1 January 2019	91,140,151,301	331,504
Repurchase of own shares	(1,646,570,029)	(3,127)
As at 31 December 2019	89,493,581,272	328,377

(millions of tenge)

23. Share capital (continued)

In accordance with the decision of the shareholders dated 4 May 2020 the Bank declared and paid dividends on common shares for the year ended 31 December 2019 in the amount of KZT 21,110 million.

In accordance with the decision of the shareholders dated 29 April 2019, the Bank declared and paid dividends on common shares for the year ended 31 December 2018, in the amount of KZT 11,376 million.

24. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	2020	***2019***
Net profit attributable to shareholders of the Bank	**52,962**	42,233
The weighted average number of common shares for the year ended 31 December	**89,112,358,304**	90,212,217,439
Basic and diluted earnings per share, tenge	**0.59**	0.47

As at 31 December 2020 and 2019, the Bank did not have any financial instruments diluting earnings per share.

25. Risk Management

Introduction

Risk management is inherent in the bank activities and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risks.

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to monitor continuously risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

Risk management structure

Board of Directors

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management Board

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Management Unit (Credit Risk Function, Strategic Risk Function and Collateral Function) is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Risk Committees

Credit risk is controlled by a system of credit committees. For improving the efficiency of decision-making process, the Group has established a hierarchy of credit committees depending on the type and amount of risk exposure. Market risks, liquidity risk, as well as credit risks in terms of counterparties and country risks are managed and controlled by the Asset and Liability Management Committee (hereinafter "ALMC"), both at the level of the portfolio as a whole and at the level of individual transactions. Operational risks, including information technology and information security risks, are monitored by the Operations Committee.

Credit risk function, Strategic risk function

Both external and internal risk factors are identified and managed throughout the Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures. In addition to the standard analysis of risks to which the Bank is exposed, the risk management monitors financial and non-financial risks by holding regular meetings with divisions of the first line of defense to obtain an expert judgement in certain areas of development of the Bank's activities.

(millions of tenge)

25. Risk management (continued)

Risk management structure (continued)

Bank Treasury

The Bank's Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Except for expected losses, the Group also runs worst case scenarios that may arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The regular risk reporting contains information on the total amount of credit, market, operational risks, liquidity indicator and changes in the level of risks. On a monthly basis the Management Board and collegial bodies under the Management Board and on a quarterly basis the Board of Directors receive a detailed risk report, which contains all the information necessary to assess the Group's risks and make appropriate decisions.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Discussions are regularly held at meetings of the Management Board, authorized collegial bodies and other employees of the Group on compliance with and maintenance of established limits, investments, liquidity, as well as changes in the level of risk.

Risk mitigation

As part of its overall risk management, the Group uses a wide range of instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions.

The Group is not active in the equity and derivatives markets and actively uses collateral to reduce its credit risk.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The asset quality assessment procedure allows the Group to assess the amount of potential losses on the risks to which it is exposed and to take the necessary measures if necessary.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in *Note 15*.

Impairment assessment

The Group calculates ECL for insignificant assets on a collective basis and individually significant on the basis of several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected repayment of loans issued and accrued interest from overdue payments.
The Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans as described below:

Stage 1: When loans are first recognised, the Group recognises an allowance based on 12m ECL.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.

Stage 3: Loans considered credit-impaired. The Group recognizes an allowance for the LTECL.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days and over 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower (corporate business) indicating default or near-default;
- Suspension of the contractual loan interest accrual due to the deterioration of a financial condition of the borrower;
- Write-off of a portion and/or the entire outstanding amount of the borrower, which was caused by a significant increase in credit risk since a loan has been provided;
- Sale of loans at a significant discount;
- Availability of court decisions on declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan (not applicable to the co-borrower);
- Blocking of the counterparty's correspondent account (by court order or otherwise);
- Revocation of the rating assigned at the time of loan issuance;
- Appeal of the counterparty bank to the court, with an application for declaring it bankrupt in accordance with the legislation of the country of the counterparty bank;
- Revocation/suspension of the license of the counterparty bank;
- The borrower is deceased;
- If the borrower is the issuer of securities registered on the stock exchange, and such securities are undergoing or have gone through the procedure for canceling the issue of securities;
- Debt restucturing due to deterioration of financial condition of the borrower for the last 12 months;
- Moving the borrower to the non-performing loans unit.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, at least 12 months have passed since the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Internal rating and PD estimation process

The Bank's Credit Risk Department operates its internal rating models. For corporate business and small and medium-sized businesses borrowers, a single rating model is used. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour, Where practical, they also build on information from the national and international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each grade. This is repeated for each economic scenario as appropriate.

Treasury and interbank relationships

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. To assess such relationships, the Group's Strategic Risks Function uses publicly available information, such as external ratings of international rating agencies, on which the ECL calculations are based.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a financial model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Retail lending

Retail lending comprises secured and unsecured personal loans and credit cards. These products are assessed using an automated scoring system. Basic input data used in the models are the following: credit history, the ratio of the amount of the monthly loan payment to wages, as well as the ratio of the loan amount to the value of the acquired property in the case of mortgage lending and the value of collateral in case of other loans secured by collateral.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12m ECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. The interest rate used to discount the ECLs for credit cards is based on the original effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Loss given default

In case of collateralized lending, the LGD indicator is taken into account, which provides for a mandatory discount on the sale of collateral (liquidity ratio) and the expected period of sale of the collateral.

The LGD rate takes into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Except for loans to individuals, the Group believes that the credit risk on a financial instrument has increased significantly from the moment of initial recognition if the borrower's rating decreased in comparison with the rating at initial recognition based on an analysis of the Bank's statistics confirming the significance of such a decrease in respect of credit risk.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, for example, deterioration of the Bank's communication with the borrower, which, in the Bank's opinion, may lead to difficulties in repaying the loan or granting a grace period of more than 1 month when the client applies. In certain cases, the Group may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Individually significant financial assets in the corporate business and small and medium-sized businesses portfolio of Stage 2 and Stage 3;
- The treasury and interbank financial assets (such as amounts due from banks, cash equivalents and debt investment securities at amortised cost and fair value through other comprehensive income);
- Acquired credit-impaired financial assets that are managed on a group basis.

Asset classes where the Group calculates ECL on a collective basis include:

- Individually insignificant loans and not impaired individually significant instruments in the portfolio of corporate business and small and medium-sized businesses of Stages 2 and 3;
- Mortgage loans;
- Consumer unsecured loans;
- Contingency loans;
- Car loans;
- Other loans to individuals;
- Purchased credit impaired financial assets managed on a collective basis.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Grouping financial assets measured on a collective basis (continued)

The Group groups these financial assets into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower's industry.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Volume of production of oil and gas condensate;
- Unemployment rate;
- Volume of retail trade;
- Base rates of the NBRK;
- Rate of inflation;
- Real salary index;
- Foreign exchange rates;
- Oil price.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK, and international financial institutions). Experts of the Group's Strategic Risks Function determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The scenario is used as a baseline scenario with a probability of 80%. In addition, the calculations also pinvolve pessimistic and optimistic scenarios with a 10% probability each.

Key factors	***2021***
Brent oil price (Brent Ice), USD	20.00
GDP index, % of the previous year	99.4
Volume of oil and gas condensate extraction, million tons	90.00
Inflation rate, %	10.40
US Dollar to tenge rate	509.0

Also, the Group's management made additional adjustments to the already recognized expected credit losses as at 31 December 2020 in the amount of KZT 600 million.

The amount of the ECL allowance for loans to customers recognized in the consolidated statement of financial position as at 31 December 2020 was KZT 83,285 million (2019: KZT 72,286 million). See *Notes 15* for details.

(millions of tenge)

25. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The Group manages the credit quality of financial assets by analyzing the number of days overdue for the retail and SME segment and on the basis of internal ratings – for corporate loans, for other financial instruments – based on ratings assigned by international rating agencies according to the table below. The analysis of credit quality is presented in the notes of the relevant financial assets.

External international rating agency's (Moody's) rating	*International external rating agency (Fitch) rating*	*Annual PD*
Aa1 to Aaa	AA+ to AAA	
Aa2	AA	0.00-0.09%
A1 to Aa3	A+ to AA-	
A3 to A2	A- to A	
Baa1	BBB+	
Baa2	BBB	0.07-0.60%
Baa3	BBB-	
Ba1	BB+	
Ba3 to Ba2	BB- to BB	
B3 to B1	B- to B+	1.03-13.38%
Caa2 to Caa1	CCC to CCC+	
Ca to Caa3	C to CCC-	29.28-49.24%
Default	D	100%

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and marker exchange rates.

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

Overall authority for market risk is vested in the ALMC. Market risk limits are approved by the ALMC based on recommendations of the Strategic Risk Function and subsequently agreed by the Board of Directors.

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

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group 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.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate risk is managed principally through monitoring interest rate gaps. As the majority of the financial instruments bear fixed interest rates the interest gap analysis is similar to the maturity analysis.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit and equity to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or 300 bp rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2020 and 2019 is as follows:

	2020	*2019*
	Effect on profit	*Effect on profit*
100 basis point parallel decrease	**5,279**	5,276
300 basis point parallel increase	**(15,836)**	(15,828)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and debt securities measured at FVOCI due to changes in the interest rates based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 100 bp symmetrical fall or 300 bp rise in all yield curves is as follows:

	2020		*2019*	
	Effect on profit	*Impact on other comprehen-sive income*	*Effect on profit*	*Impact on other comprehen-sive income*
100 basis point parallel decrease	**111**	**8,255**	135	5,273
300 basis point parallel increase	**(317)**	**(24,534)**	(378)	(15,122)

Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Despite the fact that the Group hedges its exposure to foreign exchange risk, such transactions do not meet the definition of a hedging relationship in accordance with IFRS.

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows financial assets and liabilities by foreign currencies:

31 December 2020	*Tenge*	*US dollar*	*EUR*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	**126,169**	**170,038**	**11,369**	**4,056**	**311,632**
Amounts due from financial institutions	**34,969**	**38,738**	**–**	**–**	**73,707**
Trading securities	**1,440**	**5,937**	**–**	**–**	**7,377**
Loans to customers	**659,285**	**90,077**	**6**	**374**	**749,742**
Investment securities	**521,639**	**233,794**	**24,662**	**–**	**780,095**
Other financial assets	**24,172**	**–**	**29**	**3**	**24,204**
Total financial assets	**1,367,674**	**538,584**	**36,066**	**4,433**	**1,946,757**
Liabilities					
Current accounts and deposits of customers	**805,034**	**543,580**	**33,050**	**5,503**	**1,387,167**
Amounts due to banks and other financial institutions	**128,539**	**1,840**	**91**	**–**	**130,470**
Amounts payable under repurchase agreements	**21,670**	**–**	**–**	**–**	**21,670**
Debt securities issued	**208,237**	**31,965**	**–**	**–**	**240,202**
Subordinated debt	**20,503**	**–**	**–**	**–**	**20,503**
Other financial liabilities	**11,355**	**398**	**228**	**33**	**12,014**
Total financial liabilities	**1,195,338**	**577,783**	**33,369**	**5,536**	**1,812,026**
Net position	**172,336**	**(39,199)**	**2,697**	**(1,103)**	**134,731**
Impact of derivative instruments held for the purpose of risk management	**(27,105)**	**27,989**	**(2,584)**	**1,700**	**–**
Net position adjusted for impact of derivative instruments held for the purpose of risk management	**145,231**	**(11,210)**	**113**	**597**	**134,731**

31 December 2019	*Tenge*	*US dollar*	*EUR*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	258,930	66,766	17,416	4,130	347,242
Amounts due from financial institutions	18,134	10,071	–	–	28,205
Trading securities	1,440	5,012	–	–	6,452
Loans to customers	674,234	110,384	68	382	785,068
Investment securities	490,431	213,843	15,192	–	719,466
Other financial assets	21,091	5,626	60	4	26,781
Total financial assets	1,464,260	411,702	32,736	4,516	1,913,214
Liabilities					
Current accounts and deposits of customers	740,248	559,209	32,455	5,037	1,336,949
Amounts due to banks and other financial institutions	113,531	4,275	–	–	117,806
Amounts payable under repurchase agreements	116,741	–	–	–	116,741
Debt securities issued	200,560	28,703	–	–	229,263
Subordinated debt	25,587	364	–	–	25,951
Other financial liabilities	8,432	551	88	24	9,095
Total financial liabilities	1,205,099	593,102	32,543	5,061	1,835,805
Net position	259,161	(181,400)	193	(545)	77,409
Impact of derivative instruments held for the purpose of risk management	(171,124)	175,506	–	(4,384)	(2)
Net position adjusted for impact of derivative instruments held for the purpose of risk management	88,037	(5,894)	193	(4,929)	77,407

(millions of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. Negative amounts in the table reflect a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

	2020		*2019*	
Currency	***Increase in currency rate, %***	***Effect on profit before tax***	***Increase in currency rate, %***	***Effect on profit before tax***
USD	**14**	**(1,569)**	12	(707)
Euro	**14**	**16**	12	23

	2020		*2019*	
Currency	***Decrease in currency rate, %***	***Effect on profit before tax***	***Decrease in currency rate, %***	***Effect on profit before tax***
USD	**(11)**	**1,233**	(9)	530
Euro	**(11)**	**(12)**	(9)	(17)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting the 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 risk 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 Group 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. Liquidity risk management policy is reviewed and approved by the Board of Directors.

The Group seeks to actively support a diversified and stable funding base comprising issued debt securities, long-term and short-term loans from other banks, deposits of the main corporate customers and individuals as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. Liquidity risk management policy includes:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Managing the duration of the securities' portfolio;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Developing a financing plan in case of a liquidity crisis;
- Monitoring liquidity ratios against regulatory requirements.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

The Bank Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the Treasury and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavorable market conditions is performed by the strategic risks function. Under normal market conditions, liquidity reports are provided to the Management Board and the ALMC on a monthly basis, and to the Board of Directors on a quarterly basis. Decisions on liquidity management are made by the ALMC as advised by the risk management and implemented by the Treasury.

The following tables show the undiscounted contractual cash flows on financial assets, liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be claimed.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2020 is as follows:

31 December 2020	*On demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Without maturity*	*Total*	*Carrying amount*
Non-derivative financial assets								
Cash and cash equivalents	311,756	–	–	–	–	–	311,756	311,632
Amounts due from financial institutions	–	–	27,858	30,568	15,281	–	73,707	73,707
Trading securities	7,377	–	–	–	–	–	7,377	7,377
Loans to customers	76,015	64,299	215,135	754,848	137,386	–	1,247,683	749,742
Investment securities	51,331	69,512	121,657	596,897	88,173	–	927,570	780,095
Other financial assets	1,489	639	8,967	12,793	316	–	24,204	24,204
Total non-derivative financial assets	**447,968**	**134,450**	**373,617**	**1,395,106**	**241,156**	**–**	**2,592,297**	**1,946,757**
Non-derivative financial liabilities								
Current accounts and deposits of customers	(735,672)	(66,728)	(454,045)	(161,933)	(4,644)	–	(1,423,022)	(1,387,167)
Amounts due to banks and other financial institutions	(1,968)	(937)	(13,404)	(37,929)	(113,074)	–	(167,312)	(130,470)
Amounts payable under repurchase agreements	(21,718)	–	–	–	–	–	(21,718)	(21,670)
Debt securities issued	(2,530)	–	(11,200)	(273,184)	–	–	(286,914)	(240,202)
Subordinated debt	(118)	–	(1,498)	(13,713)	(13,748)	–	(29,077)	(20,503)
Other financial liabilities	(7,341)	(21)	(1,748)	–	(2,904)	–	(12,014)	(12,014)
Total non-derivative financial liabilities	**(769,347)**	**(67,686)**	**(481,895)**	**(486,759)**	**(134,370)**	**–**	**(1,940,057)**	**(1,812,026)**
Net liquidity gap on financial assets and financial liabilities	**(321,379)**	**66,764**	**(108,278)**	**908,347**	**106,786**	**–**	**652,240**	
Contingent liabilities	**(5,717)**	**(4,802)**	**(12,483)**	**(27,527)**	**(444)**	**–**	**(50,973)**	

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest income. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. Accordingly, in the above table, deposits of individuals are presented in accordance with contractual terms with consideration of this assumption.

(millions of tenge)

25. Risk management (continued)

Liquidity risk (continued)

Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

The maturity analysis for financial assets and liabilities and contingent and contractual liabilities based on undiscounted contractual cash flows as at 31 December 2019 is as follows:

31 December 2019	*On demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Without maturity*	*Total*	*Carrying amount*
Non-derivative financial assets								
Cash and cash equivalents	347,547	–	–	–	–	–	347,547	347,242
Amounts due from financial institutions	6,297	–	6,634	4,815	10,632	–	28,378	28,205
Trading securities	6,452	–	133	533	–	–	7,118	6,452
Loans to customers	107,026	58,912	236,478	919,597	223,522	–	1,545,535	785,068
Investment securities	91,667	57,951	196,106	429,977	67,143	–	842,844	719,466
Other financial assets	1,495	46	7,891	17,508	10	–	26,950	26,781
Total non-derivative financial assets	560,484	116,909	447,242	1,372,430	301,307	–	2,798,372	1,913,214
Non-derivative financial liabilities								
Current accounts and deposits of customers	(647,296)	(86,134)	(464,115)	(165,053)	(18,802)	–	(1,381,400)	(1,336,949)
Amounts due to banks and other financial institutions	(76)	(1,947)	(47,325)	(13,230)	(82,430)	–	(145,008)	(117,806)
Amounts payable under repurchase agreements	(116,936)	–	–	–	–	–	(116,936)	(116,741)
Debt securities issued	(2,530)	(4,197)	(4,582)	(218,117)	(55,123)	–	(284,549)	(229,263)
Subordinated debt	(71)	(59)	(3,966)	(12,385)	(23,718)	(1,000)	(41,199)	(25,951)
Other financial liabilities	(6,602)	(30)	(385)	(2,061)	(145)	–	(9,223)	(9,095)
Total non-derivative financial liabilities	(773,511)	(92,367)	(520,373)	(410,846)	(180,218)	(1,000)	(1,978,315)	(1,835,805)
Net liquidity gap on financial assets and financial liabilities	(213,027)	24,542	(73,131)	961,584	121,089	(1,000)	820,057	
Contingent liabilities	7,115	4,919	17,599	14,915	94	–	44,642	

(millions of tenge)

26. Maturity analysis of assets and liabilities

The following table shows the expected maturities of assets and liabilities as at 31 December 2020 and 2019:

31 December 2020	*Less than 1 month*	*1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Later than 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	**311,632**	**–**	**–**	**–**	**–**	**–**	**–**	**311,632**
Amounts due from financial institutions	**–**	**–**	**27,858**	**30,568**	**15,281**	**–**	**–**	**73,707**
Trading securities	**7,377**	**–**	**–**	**–**	**–**	**–**	**–**	**7,377**
Loans to customers	**37,936**	**55,599**	**156,913**	**412,110**	**50,495**		**36,689**	**749,742**
Investment securities	**50,649**	**66,571**	**98,543**	**496,611**	**67,721**	**–**	**–**	**780,095**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**65,814**	**–**	**65,814**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**11,162**	**–**	**11,162**
Other assets	**394**	**24**	**66,116**	**17,985**	**948**	**2,908**	**1,360**	**89,735**
Total assets	**407,988**	**122,194**	**349,430**	**957,274**	**134,445**	**79,884**	**38,049**	**2,089,264**
Liabilities								
Current accounts and deposits of customers	**(733,227)**	**(62,219)**	**(441,229)**	**(147,300)**	**(3,192)**	**–**	**–**	**(1,387,167)**
Amounts due to banks and other financial institutions	**(1,945)**	**(351)**	**(10,811)**	**(28,883)**	**(88,480)**	**–**	**–**	**(130,470)**
Amounts payable under repurchase agreements	**(21,670)**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,670)**
Debt securities issued	**(2,151)**	**–**	**(568)**	**(237,483)**	**–**	**–**	**–**	**(240,202)**
Deferred tax liabilities	**–**	**–**	**–**	**(11,171)**	**–**	**–**	**–**	**(11,171)**
Subordinated debt	**(117)**	**–**	**(192)**	**(8,809)**	**(11,385)**	**–**	**–**	**(20,503)**
Other liabilities	**(7,398)**	**(264)**	**(3,900)**	**(236)**	**(2,906)**	**–**	**(46)**	**(14,750)**
Total liabilities	**(766,508)**	**(62,834)**	**(456,700)**	**(433,882)**	**(105,963)**	**–**	**(46)**	**(1,825,933)**
Net position	**(358,520)**	**59,360**	**(107,270)**	**523,392**	**28,482**	**79,884**	**38,003**	**263,331**
Net accumulated position	**(358,520)**	**(299,160)**	**(406,430)**	**116,962**	**145,444**	**225,328**	**263,331**	

(millions of tenge)

26. Maturity analysis of assets and liabilities (continued)

31 December 2019	*Less than 1 month*	*1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Later than 5 years*	*Without maturity*	*Overdue*	*Total*
Assets								
Cash and cash equivalents	347,242	–	–	–	–	–	–	347,242
Amounts due from financial institutions	6,297	–	6,461	4,815	9,856	776	–	28,205
Trading securities	6,452	–	–	–	–	–	–	6,452
Loans to customers	37,577	41,018	151,651	403,488	84,602	–	66,732	785,068
Investment securities	91,056	56,569	171,289	347,439	53,113	–	–	719,466
Property and equipment	–	–	–	–	–	70,655	–	70,655
Intangible assets	–	–	–	–	–	9,839	–	9,839
Other assets	4,711	405	78,899	16,286	685	1,729	328	103,043
Total assets	493,335	97,992	408,300	772,028	148,256	82,999	67,060	2,069,970
Liabilities								
Current accounts and deposits of customers	(644,666)	(81,500)	(450,883)	(143,558)	(16,342)	–	–	(1,336,949)
Amounts due to banks and other financial institutions	(37)	(2,206)	(43,224)	(6,193)	(66,146)	–	–	(117,806)
Amounts payable under repurchase agreements	(116,741)	–	–	–	–	–	–	(116,741)
Debt securities issued	(2,152)	(3,992)	(545)	(176,912)	(45,662)	–	–	(229,263)
Deferred tax liabilities	–	–		(1,621)	–	–	–	(1,621)
Subordinated debt	(71)	(40)	(2,432)	(5,988)	(16,420)	(1,000)	–	(25,951)
Other liabilities	(9,885)	(84)	(1,072)	(1,582)	–	(27)	(37)	(12,687)
Total liabilities	(773,552)	(87,822)	(498,156)	(335,854)	(144,570)	(1,027)	(37)	(1,841,018)
Net position	(280,217)	10,170	(89,856)	436,174	3,686	81,972	67,023	228,952
Net accumulated position	(280,217)	(270,047)	(359,903)	76,271	79,957	161,929	228,952	

(millions of tenge)

27. Offsetting of financial instruments

Disclosures in the tables below include information on financial assets and financial liabilities, which:

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

Similar financial instruments include derivative financial assets, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below, unless they are offset in the statement of financial position.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the repurchase and reverse repurchase agreements.

Such collateral is subject to the standard industry terms of the ISDA Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned before maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

As at 31 December 2020, the Group has amounts payable under repurchase agreements in the amount of KZT 21,670 million, which are collateralized by investment securities with a total fair value of KZT 23,466 million (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan) *(Note 16).*

As at 31 December 2019, the Group has amounts payable under repurchase agreements in the amount of KZT 116,741 million, which are secured by investment securities with a total fair value of KZT 119,090 million (treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, NBRK notes and corporate bonds of Baspana Mortgage Organization JSC with a fair value of KZT 44,238 million, KZT 59,667 million and KZT 15,185 million, respectively) *(Note 16).*

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2020.

				Related amounts not offset in the consolidated statement of financial position	
31 December 2020	***Gross amount of recognized financial assets/ (liabilities)***	***Gross amount of recognised financial liabilities offset in the consolidated statement of financial position***	***Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position***	***Financial instruments***	***Net amount***
Amounts receivable under reverse repurchase agreements *(Note 12)*	**42,547**	**–**	**42,547**	**(42,545)**	**2**
Accounts payable under repurchase agreements *(Note 16)*	**(21,670)**	**–**	**(21,670)**	**23,466**	**1,796**
	20,877	**–**	**20,877**	**(19,079)**	**1,798**

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019.

				Related amounts not offset in the consolidated statement of financial position	
31 December 2019	***Gross amount of recognized financial assets/ (liabilities)***	***Gross amount of recognised financial liabilities offset in the consolidated statement of financial position***	***Net amount of financial assets/ (liabilities) presented in the consolidated statement of financial position***	***Financial instruments***	***Net amount***
Amounts receivable under reverse repurchase agreements *(Note 12)*	55,440	–	55,440	(56,857)	(1,417)
Accounts payable under repurchase agreements *(Note 16)*	(116,741)	–	(116,741)	119,090	2,349
	(61,301)	–	(61,301)	62,233	932

(millions of tenge)

28. Disposal of a subsidiary

On 25 December 2020 the Group lost control over Bank Kassa Nova JSC as a result of sale of 100% of its voting shares to the investment company FREEDOM FINANCE JSC. As a result of this disposal, the Group recognized a loss of KZT 587 million in the consolidated statement of comprehensive income.

The assets and liabilities in Bank Kassa Nova JSC as at the date of disposal were as follows:

Cash and cash equivalents	54,211
Amounts due from financial institutions	857
Loans to customers	416
Investment securities	21,221
Property and equipment	4,472
Intangible assets	1,162
Other assets	1,054
	83,393
Amounts due to banks and other financial institutions	2,222
Current accounts and deposits of customers	46,961
Subordinated debt	3,386
Deferred tax liabilities	573
Other liabilities	12,465
	65,607

The total consideration received for the sale was KZT 17.199 million.

The cash flow information on disposal of the subsidiary was as follows:

Net cash and cash equivalents disposed with the subsidiary (included in cash flows from investing activities)	(54,211)
Cash received (included in cash flows from investing activities)	17,199
Net cash outflow	**(37,012)**

The loss on disposal of the subsidiary recognized in the consolidated statement of comprehensive income amounted to KZT 587 million.

29. Changes in liabilities arising from financing activities

	Notes	*Debt securities issued*	*Subordinated debt*	*Total liabilities arising from financing activities*
Carrying amount as at 31 December 2018		253,584	22,648	276,232
Acquisition of subsidiaries		–	3,277	3,277
Proceeds from issue		14,992	–	14,992
Repurchase		(4)	–	(4)
Loss resulted from repurchase		1,282	–	1,282
Redemption		(51,005)	–	(51,005)
Accrual of interest		24,531	2,030	26,561
Repayment of interest		(23,570)	(1,999)	(25,569)
Foreign exchange adjustments		135	(5)	130
Discount amortization		9,318	–	9,318
Carrying amount as at 31 December 2019		229,263	25,951	255,214
Disposal of subsidiary	28	**–**	**(3,386)**	**(3,386)**
Proceeds from issue		**1,533**	**–**	**1,533**
Repurchase		**(1,264)**	**–**	**(1,264)**
Redemption		**(3,901)**	**(2,200)**	**(6,101)**
Accrual of interest		**16,506**	**2,040**	**18,546**
Repayment of interest		**(16,618)**	**(1,937)**	**(18,555)**
Foreign exchange adjustments		**3,019**	**35**	**3,054**
Discount amortization		**11,664**	**–**	**11,664**
Carrying amount as at 31 December 2020		**240,202**	**20,503**	**260,705**

The Group classifies interest paid as cash flows from operating activities.

(millions of tenge)

30. Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Bank.

As at 31 December 2020 and 2019 the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The NBRK sets and monitors capital requirements for the Bank.

In accordance with the requirements set by the NBRK and effective from 1 June 2020, banks have to maintain:

- A ratio of core capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k1) in the value not less than 6.5%;
- A ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1.2) in the value not less than 7.5%;
- A ratio of own capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities (k2) in the value not less than 9%.

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 December 2020 and 2019:

	31 December 2020	***31 December 2019***
Tier 1 capital	**244,336**	212,322
Tier 2 capital	**14,839**	16,601
Total regulatory capital	**259,175**	228,923
Risk-weighted statutory assets, contingent liabilities, operational and market risk	**1,164,668**	1,251,120
Ratio k1	**21.0%**	17.0%
Ratio k1-2	**21.0%**	17.0%
Ratio k2	**22.3%**	18.3%

In February 2020, an assessment of the quality of the Group's assets as of 1 April 2019 initiated by the NBRK was completed. As at the assessment date, the Group had a reserve of equity, taking into account the audit results.

31. Commitments and contingencies

Political and economic environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Due to the rapid development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, have introduced quarantine measures that have a significant impact on the level and scale of business activity of market participants. The pandemic and measures to minimize its consequences had a significant impact on the activities of companies from various industries. Since March 2020, there has been significant volatility in the capital, currency and commodity markets, including a decrease in oil prices and a depreciation of tenge against US dollar and euro, which has led to increased uncertainty about further economic growth, which could negatively affect the financial situation, results of operations and economic prospects of the Group.

(millions of tenge)

31. Commitments and contingencies (continued)

Political and economic environment (continued)

The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Credit related commitments

The Group has contingent liabilities to provide credit resources. These credit related contingencies take the form of approved loans and credit card limits and overdraft facilities.

The Group provides bank guarantees and issues letters of credit to ensure that their customers' obligations to third parties are met. These agreements have fixed limits and generally extend for a period of up to five years.

In providing financial guarantees, credit related contingencies and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table by category. The amounts reflected in the table for credit related contingencies assume that the indicated contingencies will be fully settled. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	31 December 2020	*31 December 2019*
Undrawn loan commitments	**147,045**	139,352
Guarantees issued	**47,522**	44,209
Letters of credit	**764**	223
	195,331	183,784
Less: amounts due to customers held as security against letters of credit and guarantees *(Note 19)*	**(483)**	(1,689)
Less: allowance for expected losses	**(734)**	(299)
	194,114	181,796

The loan commitment agreements stipulate the right of the Group to unilaterally withdraw from the agreement should any conditions unfavourable to the Group arise, including deterioration of the borrower's financial condition, change of the refinance rate, inflation, exchange rates and other conditions.

The total outstanding contractual amount of commitments on issuance of loans, letters of credit and guarantees does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Legal proceedings

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

Management is unaware of any significant actual, pending or threatened claims against the Group.

Taxaton contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. From 1 January 2020 the adequacy of tax assessment in the reporting period may be reviewed during the next three calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

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 in these consolidated financial statements 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 these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(millions of tenge)

32. Related party transactions

Remuneration of members of the Board of Directors and the Management Board

Total remuneration to 17 members of the Management Board and Board of Directors included in general and administrative expenses for 2020 and 2019 is as follows:

	2020	*2019*
Members of the Board of Directors and Management Board of the Group	**3,148**	2,896
	3,148	2,896

These amounts include cash benefits in respect of the members of the Board of Directors and the Management Board and related taxes.

As at 31 December 2020, the total amount of the Group's liabilities to pay remuneration to members of the Board of Directors and the Management Board amounted to KZT 2 million (31 December 2019: KZT 1,834 million) and, in accordance with the NBRK Resolution No. 74 dated 24 February 2012, is payable over a period of at least three years, subject to the established conditions.

Transactions with other related parties

Other related parties include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the related average effective interest rates as at 31 December 2020 and related profit or loss amounts of transactions for 2020 with related parties are as follows:

	2020						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	Million tenge	*Average effective interest rate, (%)*	*Million tenge*	*Average effective interest rate, (%)*	*Million tenge*	*Average effective interest rate, (%)*	*Million tenge*
Assets							
Loans to customers	**–**	**–**	**–**	**–**	**4,245**	**3.00-17.50**	**4,245**
Other assets	**–**	**–**	**19**	**–**	**1**	**–**	**20**
Liabilities							
Current accounts and deposits of customers	**12,159**	**1.00**	**12,841**	**1.53**	**12,026**	**0.28**	**37,026**
Other liabilities	**–**	**–**	**16**	**–**	**–**	**–**	**16**
Contingent liabilities	**–**	**–**	**–**	**–**	**192**	**–**	**192**

	2020			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	**–**	**–**	**275**	**275**
Interest expense	**(173)**	**(78)**	**(770)**	**(1,021)**
Fee and commission income	**–**	**10**	**9**	**19**
Net gains from foreign currencies	**–**	**–**	**26**	**26**
Other expenses	**–**	**(158)**	**(867)**	**(1,025)**

(millions of tenge)

32. Related party disclosures (continued)

Transactions with other related parties (continued)

The outstanding balances and the related average effective rates as at 31 December 2019 and related profit or loss on transactions with other related parties for 2019 are as follows:

	2019						
	Shareholders		*Entities under common control*		*Other related parties*		*Total*
	Million tenge	*Average effective interest rate, (%)*	*Million tenge*	*Average effective interest rate, (%)*	*Million tenge*	*Average effective interest rate, (%)*	*Million tenge*
Assets							
Loans to customers	–	–	–	–	3,940	5.00-13.49	3,940
Other assets	–	–	87	–	–	–	87
Liabilities							
Current accounts and deposits of customers	9,859	1.20	9,520	1.13	12,915	0.38	32,294
Amounts due to banks and other financial institutions	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	1,040	8.00	1,040
Other liabilities	–	–	39	–	–	–	39
Contingent liabilities	–	–	–	–	107	–	107

	2019			
	Shareholders	*Entities under common control*	*Other related parties*	*Total*
Income/(expenses)				
Interest income	–	–	208	208
Interest expense	(126)	(77)	(342)	(545)
Fee and commission income	1	37	25	63
Net gains from foreign currencies	–	–	115	115
Other expenses	–	(567)	(79)	(646)

33. Segment analysis

The Group has five reporting segments and business lines ("Other" segment is indicated separately with description of transactions, which are not related to activities of business lines). These segments / business lines offer a variety of products and services in the financial / banking area. The following is a brief description of transactions of each segment.

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large entities and individual entrepreneurs);
- Small and medium businesses (SMB) – extension of loans, deposit sourcing, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities (LE) and individual entrepreneurs (IE);
- Retail banking (RB) – extension of loans, deposit sourcing, settlement and cash services, exchange transactions and other transactions with retail clients (individuals);
- Investing activities – responsible for financing the Group's operations (repo operations, raising funds from banks and financial institutions, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions.
- Other – other transactions with debtors/creditors on non-core activities, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investing activities).

(millions of tenge)

33. Segment analysis (continued)

Performance of each reportable segment is presented below. Performance results of segment / business line are evaluated on the basis of derived profit, which includes the effective management of a portfolio of borrowed and placed funds. Profit from segment / business line is used to measure performance. Pricing is performed on the basis of borrowing / placement rates approved by the authorized body of the Bank.

31 December 2020	*CB*	*SMB*	*RB*	*Investing activities*	*Other*	*Total*
Assets						
Cash and cash equivalents	**48,041**	**38,994**	**60,537**	**156,031**	**8,029**	**311,632**
Amounts due from financial institutions	**–**	**–**	**–**	**73,707**	**–**	**73,707**
Trading securities	**–**	**–**	**–**	**7,377**	**–**	**7,377**
Loans to customers	**143,901**	**209,286**	**332,956**	**–**	**63,599**	**749,742**
Investment securities	**–**	**–**	**–**	**780,095**	**–**	**780,095**
Property and equipment	**–**	**–**	**–**	**–**	**65,814**	**65,814**
Intangible assets	**–**	**–**	**–**	**–**	**11,162**	**11,162**
Other assets	**35**	**430**	**2,214**	**1,135**	**85,921**	**89,735**
Total assets	**191,977**	**248,710**	**395,707**	**1,018,345**	**234,525**	**2,089,264**
Liabilities						
Current accounts and deposits of customers	**525,121**	**313,218**	**548,827**	**–**	**1**	**1,387,167**
Amounts due to banks and other financial institutions	**12,677**	**99,258**	**5,156**	**2,955**	**10,424**	**130,470**
Amounts payable under repurchase agreements	**–**	**–**	**–**	**21,670**	**–**	**21,670**
Debt securities issued	**–**	**–**	**16,827**	**159,837**	**63,538**	**240,202**
Deferred tax liabilities	**–**	**–**	**–**	**–**	**11,171**	**11,171**
Subordinated debt	**–**	**–**	**–**	**–**	**20,503**	**20,503**
Other liabilities	**331**	**482**	**2,800**	**22**	**11,115**	**14,750**
Total liabilities	**538,129**	**412,958**	**573,610**	**184,484**	**116,752**	**1,825,933**
Equity						
Share capital	**–**	**–**	**–**	**–**	**332,815**	**332,815**
Additional paid-in capital	**–**	**–**	**–**	**–**	**21,109**	**21,109**
Treasury shares	**–**	**–**	**–**	**–**	**(5,260)**	**(5,260)**
Fair value reserve	**–**	**–**	**–**	**–**	**9,207**	**9,207**
Accumulated losses	**–**	**–**	**–**	**–**	**(94,540)**	**(94,540)**
Total equity attributable to shareholders of the Bank	**–**	**–**	**–**	**–**	**263,331**	**263,331**

(millions of tenge)

33. Segment analysis (continued)

Information on the main reporting segments for 2020 is presented as follows:

	2020						
	CB	*SMB*	*RB*	*Investing activities*	*Other*	*Elimina-tion*	*Total*
Interest income	**10,648**	**25,002**	**70,097**	**60,992**	**18,765**	**–**	**185,504**
Transfer income	**30,121**	**20,932**	**28,595**	**21,396**	**9,652**	**(110,696)**	**–**
Interest expense	**(20,774)**	**(9,472)**	**(23,013)**	**(23,003)**	**(14,213)**	**–**	**(90,475)**
Transfer expense	**(8,693)**	**(15,780)**	**(33,892)**	**(61,405)**	**(5,331)**	**125,101**	**–**
Net interest income	**11,302**	**20,682**	**41,787**	**(2,020)**	**8,873**	**14,405**	**95,029**
Commision income	**2,283**	**17,019**	**14,565**	**469**	**1,137**	**–**	**35,473**
Commission expense	**(1,146)**	**(7,046)**	**(5,052)**	**(430)**	**(597)**	**–**	**(14,271)**
Net gain on derecognition of investment securities at fair value through other comprehensive income	**–**	**–**	**–**	**226**	**–**	**–**	**226**
Net gains/(losses) from foreign exchange transactions	**3,236**	**6,221**	**3,418**	**(3,587)**	**4,052**	**–**	**13,340**
Net gains/(losses) on derecognition of financial assets measured at amortized cost	**–**	**(109)**	**1,173**	**–**	**10,145**	**–**	**11,209**
Net gains on derecognition of financial liabilities as a result of modification	**–**	**–**	**561**	**–**	**17,395**	**–**	**17,956**
Other income/(expense)	**21**	**321**	**3,989**	**77**	**(742)**	**–**	**3,666**
Non-interest income	**4,394**	**16,406**	**18,654**	**(3,245)**	**31,390**	**–**	**67,599**
Credit loss expense	**(1,140)**	**(2,785)**	**(21,583)**	**(686)**	**(12,753)**	**–**	**(38,947)**
Net losses on transactions with financial instruments at fair value through profit or loss	**–**	**–**	**–**	**(1,583)**	**–**	**–**	**(1,583)**
Loss on disposal of subsidiary	**–**	**–**	**–**	**–**	**(587)**	**–**	**(587)**
General and administrative expenses	**(2,743)**	**(10,399)**	**(23,718)**	**(2,853)**	**(9,047)**	**–**	**(48,760)**
Other expenses	**(63)**	**(570)**	**(1,970)**	**(186)**	**(5,995)**	**–**	**(8,784)**
Non-interest expense	**(3,946)**	**(13,754)**	**(47,271)**	**(5,308)**	**(28,382)**	**–**	**(98,661)**
Other transfer income and expense	**(1,646)**	**(658)**	**(3,399)**	**36,909**	**(16,801)**	**(14,405)**	**–**
Profit/(loss) before corporate income tax expenses	**10,104**	**22,676**	**9,771**	**26,336**	**(4,920)**	**–**	**63,967**
Corporate income tax expenses	**(1,148)**	**(2,577)**	**(1,110)**	**(3,010)**	**(3,160)**	**–**	**(11,005)**
Profit/(loss) for the year	**8,956**	**20,099**	**8,661**	**23,326**	**(8,080)**	**–**	**52,962**

(millions of tenge)

33. Segment analysis (continued)

	31 December 2019					
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Total***
Assets						
Cash and cash equivalents	90,069	63,702	144,178	–	49,293	347,242
Amounts due from financial institutions	–	–	–	28,205	–	28,205
Trading securities	–	–	–	6,452	–	6,452
Loans to customers	127,822	206,294	369,772	–	81,180	785,068
Investment securities	–	–	–	719,466	–	719,466
Property and equipment	–	–	–	–	70,655	70,655
Intangible assets	–	–	–	–	9,839	9,839
Other assets	44	1,233	2,804	20	98,942	103,043
Total assets	217,935	271,229	516,754	754,143	309,909	2,069,970
Liabilities						
Current accounts and deposits of customers	430,489	291,532	614,924	–	4	1,336,949
Amounts due to banks and other financial institutions	9,624	73,331	4,511	4,282	26,058	117,806
Amounts payable under repurchase agreements	–	–	–	116,741	–	116,741
Debt securities issued	47,813	–	14,927	148,755	17,768	229,263
Subordinated debt	–	–	–	3,303	22,648	25,951
Deferred tax liabilities	–	–	–	–	1,621	1,621
Other liabilities	28	355	2,025	135	10,144	12,687
Total liabilities	487,954	365,218	636,387	273,216	78,243	1,841,018
Equity						
Share capital	–	–	–	–	332,815	332,815
Additional paid-in capital	–	–	–	–	21,109	21,109
Treasury shares	–	–	–	–	(4,438)	(4,438)
Fair value reserve	–	–	–	–	5,858	5,858
Accumulated losses	–	–	–	–	(126,392)	(126,392)
Total equity attributable to shareholders of the Bank	–	–	–	–	228,952	228,952

(millions of tenge)

33. Segment analysis (continued)

Information on the main reporting segments for 2019 may be presented as follows:

	2019						
	CB	***SMB***	***RB***	***Investing activities***	***Other***	***Elimina-tion***	***Total***
Interest income	9,660	23,420	69,331	48,087	13,055	–	163,553
Transfer income	22,207	12,755	30,301	9,779	15,007	(90,049)	–
Interest expense	(19,492)	(5,753)	(28,467)	(15,479)	(16,068)	–	(85,259)
Transfer expense	(7,598)	(13,073)	(30,038)	(45,675)	(6,014)	102,398	–
Net interest income	4,777	17,349	41,127	(3,288)	5,980	12,349	78,294
Fee and commission income	1,062	14,411	16,875	164	691	–	33,203
Fee and commission expense	(22)	(4,538)	(5,876)	(267)	(355)	–	(11,058)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(107)	–	–	(107)
Net gains on initial recognition of financial assets measured at amortized cost	–	–	–	7,053	–	–	7,053
Net gains from foreign currencies	3,260	4,173	2,346	137	687	–	10,603
Net losses on derecognition of financial assets measured at amortized cost	–	–	(303)	–	(3,830)	–	(4,133)
Other income	–	4	461	2	3,911	–	4,378
Non-interest income	4,300	14,050	13,503	6,982	1,104	–	39,939
Credit loss expense	(681)	(938)	(13,911)	154	(5,041)	–	(20,417)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(4,274)	–	–	(4,274)
General and administrative expenses	(1,847)	(9,010)	(23,077)	(1,692)	(7,125)	–	(42,751)
Other expenses	(11)	(223)	–	(33)	(5,533)	–	(5,800)
Non-interest expense	(2,539)	(10,171)	(36,988)	(5,845)	(17,699)	–	(73,242)
Transfer income and expense	(1,393)	(1,034)	9,462	32,755	(27,441)	(12,349)	–
Profit before corporate income tax expenses	5,145	20,194	27,104	30,604	(38,056)	–	44,991
Corporate income tax expenses	(170)	(668)	(907)	(1,013)	–	–	(2,758)
Profit for the year	4,975	19,526	26,197	29,591	(38,056)	–	42,233

(millions of tenge)

34. Fair value of financial instruments

Accounting classification and fair value

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

	31 December 2020				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	**–**	**311,632**	**311,632**	**311,632**	**–**
Amounts due from financial institutions	**–**	**73,707**	**73,707**	**73,707**	**–**
Trading securities	**7,377**	**–**	**7,377**	**7,377**	**–**
Loans to customers	**–**	**749,742**	**749,742**	**753,405**	**3,663**
Investment securities measured at FVOCI	**505,922**	**–**	**505,922**	**505,922**	**–**
Investment securities measured at amortised cost	**–**	**274,173**	**274,173**	**288,205**	**14,032**
Other financial assets	**–**	**24,204**	**24,204**	**24,204**	**–**
	513,299	**1,433,458**	**1,946,757**	**1,964,452**	**17,695**
Current accounts and deposits of customers	**–**	**1,387,167**	**1,387,167**	**1,389,323**	**(2,156)**
Amounts due to banks and other financial institutions	**–**	**130,470**	**130,470**	**119,642**	**10,828**
Amounts payable under repurchase agreements	**–**	**21,670**	**21,670**	**23,466**	**(1,796)**
Debt securities issued	**–**	**240,202**	**240,202**	**240,577**	**(375)**
Subordinated debt	**–**	**20,503**	**20,503**	**20,314**	**189**
Other financial liabilities	**–**	**12,014**	**12,014**	**12,014**	**–**
	–	**1,812,026**	**1,812,026**	**1,805,336**	**6,690**
					24,385

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

	31 December 2019				
	Assets and liabilities measured at fair value	***Assets and liabilities whose fair value is disclosed***	***Total carrying amount***	***Fair values***	***Unrecognised gain/(loss)***
Cash and cash equivalents	–	347,242	347,242	347,242	–
Amounts due from financial institutions	–	28,205	28,205	28,205	–
Trading securities	6,452	–	6,452	6,452	–
Loans to customers	–	785,068	785,068	792,513	7,445
Investment securities measured at FVOCI	458,424	–	458,424	458,424	–
Investment securities measured at amortised cost	–	261,042	261,042	291,313	30,271
Other financial assets	–	26,781	26,781	26,781	–
	464,876	1,448,338	1,913,214	1,950,930	37,716
Current accounts and deposits of customers	–	1,336,949	1,336,949	1,338,691	(1,742)
Amounts due to banks and other financial institutions	–	117,806	117,806	112,293	5,513
Amounts payable under repurchase agreements	–	116,741	116,741	116,741	–
Debt securities issued	–	229,263	229,263	260,546	(31,283)
Subordinated debt	–	25,951	25,951	26,562	(611)
Other financial liabilities	–	9,095	9,095	9,048	47
	–	1,835,805	1,835,805	1,863,881	(28,076)
					9,640

(millions of tenge)

34. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market bid prices or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

The purpose of valuation techniques is to achieve a method of fair value measurement that reflects the price of a transaction on an organized market for the sale of an asset or transfer a liability between market participants at the measurement date.

Valuation techniques include net present value valuation models and discounting of cash flows, comparison with similar instruments with known market quotations, as well as other valuation models. Assumptions and inputs used in valuation techniques include risk-free and base interest rates, credit spreads and other adjustments used in estimating discount rates, shares and bonds quotations, and expected price movements and their comparison. Valuation techniques focused on determining the fair value, which reflects the value of a financial instrument as at the reporting date that would have been determined by independent market participants.

The Group uses widely recognised valuation techniques for determining the fair value of standard and more simple financial instruments, such as interest rate and currency swaps, and such techniques use only observable market data and do not require management judgements or estimates. Observable quotations and model inputs are usually available in the market for publicly traded debt and equity securities, derivatives traded on the stock exchange, as well as simple off-market financial derivatives, such as interest rate swaps.

The Group uses its own valuation models for more sophisticated instruments. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Certain loans and securities for which there is no active market can be an example of instruments the estimation of which is based on the use of unobservable inputs.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that their fair value approximates to the carrying amount. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities accounted for at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from financial institutions, deposits of banks and other financial institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following assumptions are used by the management to estimate the fair values of financial instruments:

- To discount the future cash flows from loans to corporate customers the discount rate in the range from 5.20% to 13.88% (31 December 2019: 3.69% to 13.96%) was used.
- To calculate the future cash flows from loans to individuals the discount rate in the range from 3.85% to 20.78% (31 December 2019: 3.76% to 22.85%) was used.

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: models for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(millions of tenge)

34. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 31 December 2020, by fair value hierarchy, into which the fair value measurement is categorised.

	Notes	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Trading securities	14	**5,937**	**–**	**1,440**	**7,377**
Investment securities at FVOCI	16	**369,112**	**136,810**	**–**	**505,922**
		375,049	**136,810**	**1,440**	**513,299**

The following table analyses financial instruments carried at fair value as at 31 December 2016, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the consolidated statement of financial position:

	Note	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets					
Trading securities	14	5,012	–	1,440	6,452
Investment securities at FVOCI	16	357,675	100,749	–	458,424
		362,687	100,749	1,440	464,876

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

	Trading securities
At 1 January 2020	1,440
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	**–**
Net gains/(losses) on transactions with financial instruments at fair value through other comprehensive income	**–**
At 31 December 2020	**1,440**

The following table shows a reconciliation for fair value measurements in Level 3 of the fair value hierarchy for 2019:

	Trading securities	*Securities at FVOCI*
At 1 January 2019	1,440	75,210
Sale	**–**	**(76,750)**
Net gains/(losses) on transactions with financial instruments at fair value through profit or loss	**–**	**1,752**
Net gains /(losses) on transactions with financial instruments at fair value through other comprehensive income	**–**	**(212)**
As at 31 December 2019	**1,440**	**–**

Income and expenses on financial instruments of Level 3 included in the comprehensive income for the years ended 31 December 2020 and 2019, shown in the above tables are presented in the consolidated statement of comprehensive income as follows:

	2020		*2019*	
	Realised losses	*Unrealised losses*	*Realised loss*	*Unrealised loss*
(Losses)/gains recognised in profit or loss	**–**	**–**	(763)	(212)

(millions of tenge)

34. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

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

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	**–**	**311,632**	**–**	**311,632**	**311,632**
Amounts due from financial institutions	**–**	**73,707**	**–**	**73,707**	**73,707**
Loans to customers	**–**	**–**	**753,405**	**753,405**	**749,742**
Investment securities measured at amortised cost	**28,653**	**259,552**	**–**	**288,205**	**274,173**
Other financial assets	**–**	**24,204**	**–**	**24,204**	**24,204**
Liabilities					
Current accounts and deposits of customers	**–**	**1,389,323**	**–**	**1,389,323**	**1,387,167**
Amounts due to banks and other financial institutions	**–**	**119,642**	**–**	**119,642**	**130,470**
Amounts payable under repurchase agreements	**–**	**23,466**	**–**	**23,466**	**21,670**
Debt securities issued	**–**	**240,577**	**–**	**240,577**	**240,202**
Subordinated debt	**–**	**20,314**	**–**	**20,314**	**20,503**
Other financial liabilities	**–**	**12,014**	**–**	**12,014**	**12,014**

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

	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Total carrying value*
Assets					
Cash and cash equivalents	–	347,242	–	347,242	347,242
Amounts due from financial institutions	–	28,205	–	28,205	28,205
Loans to customers	–	–	792,513	792,513	785,068
Investment securities measured at amortised cost	23,105	268,208	–	291,313	261,042
Other financial assets	–	26,781	–	26,781	26,781
Liabilities					
Current accounts and deposits of customers	–	1,338,691	–	1,338,691	1,336,949
Amounts due to banks and other financial institutions	–	112,293	–	112,293	117,806
Amounts payable under repurchase agreements	–	116,741	–	116,741	116,741
Debt securities issued	–	260,546	–	260,546	229,263
Subordinated debt	–	26,562	–	26,562	25,951
Other financial liabilities	–	9,048	–	9,048	9,095