

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

*31 March 2020
with report on review of interim financial information*

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of ForteBank JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ForteBank JSC and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 31 March 2020 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and selected explanatory notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

Paul Cohn
Audit Partner





Olga Kheday
Auditor

Auditor's qualification certificate
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2 June 2020



Gulmira Turmagambetova
General Director
Ernst & Young LLP


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Kazakhstan on 15 July 2005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for the three months ended 31 March 2020***(millions of tenge)*

	<i>Notes</i>	<i>For the three months ended 31 March</i>	
		<i>2020</i>	<i>2019</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Interest revenue calculated using effective interest rate	5	45,012	34,799
Other interest revenue	5	68	102
Interest expense	5	(22,409)	(19,301)
Net interest income		22,671	15,600
Fee and commission income	6	8,477	5,964
Fee and commission expense	6	(3,478)	(1,927)
Net gains/(losses) from financial instruments at fair value through profit or loss		393	(619)
Net gains on derecognition of investment securities at fair value through other comprehensive income		1	23
Net gains on derecognition of financial liabilities as a result of modification	18	17,956	—
Net gains from foreign currencies	7	2,783	812
Other income		892	800
Non-interest income		27,024	5,053
Credit loss expense	8	(8,621)	(1,814)
General and administrative expenses	9	(11,193)	(9,549)
Other expenses		(2,829)	(1,863)
Non-interest expense		(22,643)	(13,226)
Profit before corporate income tax expense		27,052	7,427
Corporate income tax expense	10	(6,271)	(931)
Profit for the period		20,781	6,496
Attributable to:			
- shareholders of the Bank		20,781	6,478
- non-controlling interests		—	18
		20,781	6,496
Other comprehensive income			
<i>Other comprehensive income to be reclassified subsequently to profit or loss</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		(5,297)	2,904
Income tax relating to components of other comprehensive income		403	(323)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		341	(176)
Reclassification of cumulative gain on derecognition of debt instruments at fair value through other comprehensive income to profit or loss		(1)	(23)
Other comprehensive (loss)/income for the period, net of tax		(4,554)	2,382
Total comprehensive income for the period		16,227	8,878
Attributable to:			
- shareholders of the Bank		16,227	8,860
- non-controlling interests		—	18
		16,227	8,878
Basic and diluted earnings per share (in tenge)	22	0.23	0.07

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


 Guram Andronikashvili
 Chairman of the Management Board
 2 June 2020


 Stanislav Levin
 Chief Accountant – Director

The accompanying selected explanatory notes on pages 5 to 42 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**as at 31 March 2020***(millions of tenge)*

	<i>Notes</i>	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Assets			
Cash and cash equivalents	11	405,870	347,242
Amounts due from financial institutions	12	47,653	28,205
Trading securities	13	7,192	6,452
Loans to customers	14	797,197	785,068
Investment securities	15	714,774	719,466
Property and equipment		73,163	70,655
Intangible assets		9,784	9,839
Other assets	16	100,637	103,043
Total assets		2,156,270	2,069,970
Liabilities			
Current accounts and deposits of customers	17	1,463,405	1,336,949
Amounts due to banks and other financial institutions	18	111,444	117,806
Amounts payable under repurchase agreements		53,037	116,741
Debt securities issued	19	236,023	229,263
Deferred income tax liabilities	10	7,640	1,621
Subordinated debt	20	26,424	25,951
Other liabilities		13,940	12,687
Total liabilities		1,911,913	1,841,018
Equity			
Share capital	21	332,815	332,815
Additional paid-in capital		21,109	21,109
Treasury shares	21	(5,260)	(4,438)
Fair value reserve		1,304	5,858
Accumulated losses		(105,611)	(126,392)
Total equity attributable to shareholders of the Bank		244,357	228,952
Non-controlling interests		—	—
Total equity		244,357	228,952
Total equity and liabilities		2,156,270	2,069,970

The accompanying selected explanatory notes on pages 5 to 42 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**for the three months ended 31 March 2020**

	<i>Notes</i>	<i>For the three months ended 31 March</i>	
		<i>2020</i>	<i>2019</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities			
Interest income received		32,255	29,182
Interest expense paid		(18,504)	(13,907)
Fee and commission income received		8,528	5,800
Fee and commission expense paid		(3,478)	(1,927)
Net realised gains/(losses) from financial instruments at fair value through profit or loss		429	(744)
Net realised gains on dealing in foreign currencies		3,358	1,041
Other operating expenses paid		(1,767)	(250)
General and administrative expenses paid		(7,996)	(7,411)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		(13,622)	(2,826)
Trading securities		10	3,210
Loans to customers		(346)	19,553
Other assets		2,188	667
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		17,990	2,468
Amounts due to banks and other financial institutions		17,535	3,407
Amounts payable under repurchase agreements		(63,613)	(23,553)
Other liabilities		(2,953)	516
Net cash flows from operating activities before income tax		(29,986)	15,226
Corporate income tax paid		(197)	(15)
Net cash flows from operating activities		(30,183)	15,211
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		(98,865)	(441,384)
Proceeds from sale of investment securities at fair value through other comprehensive income		1	12,539
Redemption of investment securities at fair value through other comprehensive income		143,765	430,194
Purchase of property and equipment and intangible assets		(3,507)	(1,629)
Proceeds from sale of property and equipment and intangible assets		39	55
Net cash flows from/(used in) investing activities		41,433	(225)
Cash flows from financing activities			
Purchase of treasury shares		(822)	–
Proceeds from placement of debt securities issued		1,303	17
Redemption of debt securities issued		(3,901)	–
Repayment of lease liability		(161)	–
Net cash flows from financing activities		(3,581)	17
Effect of exchange rate changes on cash and cash equivalents		50,959	(1,547)
Net change in cash and cash equivalents		58,628	13,456
Cash and cash equivalents, beginning		347,242	224,121
Cash and cash equivalents, ending	11	405,870	237,577
Non-monetary transactions			
Repossession of collateral on loans to customers	16	1,736	2,451

The accompanying selected explanatory notes on pages 5 to 42 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the three months ended 31 March 2020***(millions of tenge)*

	Equity attributable to shareholders of the Bank						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Accumulated losses	Total		
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952	–	228,952
Profit for the period (unaudited)	–	–	–	–	20,781	20,781	–	20,781
Other comprehensive income for the period (unaudited)	–	–	–	(4,554)	–	(4,554)	–	(4,554)
Total comprehensive income for the period (unaudited)	–	–	–	(4,554)	20,781	16,227	–	16,227
Purchase of treasury shares (Note 21) (unaudited)	–	–	(822)	–	–	(822)	–	(822)
At 31 March 2020 (unaudited)	332,815	21,109	(5,260)	1,304	(105,611)	244,357	–	244,357
At 1 January 2019	332,815	21,116	(1,311)	2,359	(155,051)	199,928	711	200,639
Impact of adopting IFRS 16 (unaudited)	–	–	–	–	(428)	(428)	–	(428)
Restated opening balance under IFRS 16 (unaudited)	332,815	21,116	(1,311)	2,359	(155,479)	199,500	711	200,211
Profit for the period (unaudited)	–	–	–	–	6,478	6,478	18	6,496
Other comprehensive income for the period (unaudited)	–	–	–	2,382	–	2,382	–	2,382
Total comprehensive income for the period (unaudited)	–	–	–	2,382	6,478	8,860	18	8,878
At 31 March 2019 (unaudited)	332,815	21,116	(1,311)	4,741	(149,001)	208,360	729	209,089

The accompanying selected explanatory notes on pages 5 to 42 are an integral part of these interim condensed consolidated financial statements.

(millions of tenge)

1. General information

Corporate structure and activities

These interim condensed 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 National Bank of the Republic of Kazakhstan (hereinafter, the “NBRK”). 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 NBRK on 27 February 2015.

The Group’s primary business is related to commercial banking activities, issuance of loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services. Some debt securities issued by the Bank are listed on the London Stock Exchange, the Luxembourg Stock Exchange, 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 March 2020 and 31 December 2019, depositors can receive limited insurance coverage for deposits, depending on the currency of the deposit: in tenge – up to KZT 10 million, in foreign currencies – up to KZT 5 million.

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership, %</i>	
			<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
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
Bank Kassa Nova JSC	Republic of Kazakhstan	Banking operations	100.0	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0

During May and July 2019, the Group increased its share in equity of ForteLeasing JSC by acquiring shares from non-controlling shareholders. As a result, the Bank’s ownership in ForteLeasing JSC increased to 100%.

On 23 April 2019, the Bank acquired 100% ownership in ONE Technologies LLP. On 29 April 2019, the Bank acquired 100% ownership of Bank Kassa Nova JSC.

Shareholders

As at 31 March 2020, B.Zh. Utemuratov is a beneficial owner of 90.60% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (as at 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 manage 54% of the outstanding shares of the Bank. Mr. Utemuratov B.Zh. is a 100% shareholder of Nova Leasing JSC.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial statements are presented in millions of Kazakh tenge (“tenge” or “KZT”), unless otherwise is stated.

(millions of tenge)

2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

The functional currency of the 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 interim condensed consolidated financial statements.

Financial information of the interim condensed consolidated financial statements is rounded to the nearest million.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed 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 at 1 January 2020. The nature and the effect of these changes are disclosed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group is not affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material do not have a significant impact on the Group's consolidated financial statements.

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

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes 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 hedging gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments do not have a significant impact on the Group's consolidated financial statements.

3. Significant accounting judgements and estimates

Estimation uncertainty

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

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

(millions of tenge)

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the interim condensed 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 judgement is required in establishing fair values.

Collateral assessment

The Group management performs monitoring of collateral on a regular basis. The management of the Group uses experienced judgements or an independent assessment in order to adjust the cost of collateral considering the current market conditions.

Expected credit losses on financial assets

At the end of the first - beginning of the second quarters of 2020, the economic environment has faced significant changes:

- Decline in industrial production and activities in many sectors of the economy as a result of state restrictions associated with the development of the COVID-19 pandemic;
- Implementation of measures of state support for the population and business related to the development of the COVID-19 pandemic;
- Significant depreciation of tenge against major foreign currencies, high volatility in the foreign exchange market.

The above changes in the economic environment have a significant impact on the Group's performance.

The following principal activities are implemented to support customers:

- Offering clients changes in certain loan terms, including under government support programs;
- Expanding the range of products offered to customers through remote service channels.

Due to high degree of uncertainty, as well as the limited correct and consistent information on the actual financial position of the Group's counterparties and borrowers, it is not possible to present a comprehensive quantitative assessment of the impact of changes in the economic environment on the Group's performance in 2020 in these interim condensed consolidated financial statements.

In addition to that, in accordance with IFRS 9 *Financial Instruments*, the Group uses forward-looking information, including forward-looking macroeconomic indicators, in the models for estimating allowances for expected credit losses (ECL).

Forecast information and multiple economic scenarios

For the purpose of ECL allowance calculation as at 31 March 2020, the Group took into account the following:

- Updated Brent Oil Price Forecasts (Brent ICE), US dollar;
- Updated forecasts of tenge exchange rate against the major foreign currencies (US dollar);
- Measures of state support for the population and business;
- Impact of changes in the economic environment on various sectors of the economy;
- Deterioration in the financial condition of individual borrowers;
- Updated forecast for GDP change.

*(millions of tenge)***3. Significant accounting judgements and estimates (continued)****Expected credit losses on financial assets (continued)***Forecast information and multiple economic scenarios (continued)*

The Group obtains the forward-looking information from third-party sources (external rating agencies, governmental bodies e.g. central banks, and international financial organizations). Below are the main projections used in assessing the ECL allowance on the loan portfolio as at 31 March 2020:

Key factors	2020
Brent oil price (Brent ICE), USD	20.00
GDP index, % to the previous year	99.4
Volume of oil and gas condensate extraction, million tons	90.00
Inflation, %	10.40
USD/KZT exchange rate	509.0

Accounting for forward-looking information was carried out based on the adjustment of the components of the default probability for Stage 1 instruments. The adjustment was made by weighing the values of the default probability in the baseline and stress scenarios. The default probability value calculated as at 31 March 2020 on the basis of historical data was used as a baseline scenario. The default probability value calculated as at 31 December 2019 was used as a stress scenario. The probability of the baseline scenario was determined at 80%, the stress scenario – 10%, the optimistic scenario – 10%. The adjustment was made for the corporate portfolio by groups of overdue debts, as well as for the retail portfolio by products and groups of overdue debts. The effect of adjusting the default probability on loans to customers of Stage 1 amounted to KZT 3,111 million.

The amount of ECL allowance recognized in the interim condensed consolidated statement of financial position at 31 March 2020 was KZT 82,915 thousand (31 December 2019: KZT 72,286 million). More details are provided in *Note 14*.

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 non-existent 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 declarations, 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 interest charges. 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 Group's tax position as at 31 March 2020 and 31 December 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.

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 income tax assets as at 31 March 2020 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, and deferred income tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

4. Business combination**Acquisition of Bank Kassa Nova JSC**

On 29 April 2019, the Group acquired 100% of the voting shares of Bank Kassa Nova JSC, following the approvals given by the NBRK. Its main activity is banking operations. The Group has acquired Bank KassaNova JSC because of strategic initiatives aimed at increase market share and ability to gain synergy effect.

Bank Kassa Nova JSC was purchased from NovaLeasing JSC, which is owned by Mr. Utemuratov B.Zh., therefore it is considered to be an acquisition of entity under common control and pooling of interest method was applied without historical restatement.

*(millions of tenge)***4. Business combination (continued)****Acquisition of Bank Kassa Nova JSC (continued)**

Assets and liabilities of Bank Kassa Nova JSC as at the date of acquisition were:

	<i>29 April 2019 (unaudited)</i>
Assets	
Cash and cash equivalents	42,785
Amounts due from credit institutions	601
Loans to customers	74,870
Investment securities	2,073
Property and equipment	5,675
Intangible assets	1,108
Other assets	3,252
Total assets	130,364
Liabilities	
Current accounts and deposits of customers	94,093
Amounts due to banks and other financial institutions	16,268
Deferred income tax liabilities	917
Subordinated debt	3,277
Other liabilities	1,683
Total liabilities	116,238
Net assets acquired	14,126
Purchase consideration transferred	(11,277)
Gain on acquisition of subsidiary recognised in equity	2,849

If the combination had taken place at the beginning of 2019, the profit for the period ended 31 March 2019 of the Group would have been KZT 6,912 million, net interest income would have been KZT 17,104 million, and non-interest income would have been KZT 5,607 million.

Acquisition of ONE Technologies LLP

On 23 April 2019, the Group acquired 100% of the equity of ONE Technologies LLP, following the approvals given by the NBRK. Its main activity is development of software. The Group has acquired ONE Technologies LLP because of strategic initiatives aimed at digitalisation of core banking processes and developing banking applications.

ONE Technologies LLP was acquired from individuals closely related to the ultimate shareholder and a legal entity, controlled by Mr. Utemuratov B.Zh., therefore it is considered to be an acquisition of entity under common control and pooling of interest method was applied without historical restatement.

Assets and liabilities of ONE Technologies LLP as at the date of acquisition were:

	<i>23 April 2019 (unaudited)</i>
Assets	
Cash and cash equivalents	130
Loans to customers	27
Property and equipment	172
Intangible assets	545
Other assets	352
Total assets	1,226
Other liabilities	173
Total liabilities	173
Net assets acquired	1,053
Purchase consideration transferred	(5,900)
Loss on acquisition of subsidiary recognised in equity	(4,847)

If the combination had taken place at the beginning of 2019, profit for the three-month period ended 31 March 2019 of the Group would have been KZT 6,402 million.

*(millions of tenge)***5. Net interest income**

Interest income and expense comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest revenue calculated using the effective interest rate		
Loans to customers	31,174	23,775
Debt investment securities at FVOCI	8,882	5,367
Investment securities at amortised cost	4,169	3,769
Amounts due from financial institutions	569	981
Amounts receivable under reverse repurchase agreements	218	907
	45,012	34,799
Other interest revenue		
Trading securities	68	102
	45,080	34,901
Interest expense		
Current accounts and deposits of customers	(12,991)	(10,314)
Debt securities issued	(6,827)	(7,438)
Amounts due to banks and other financial institutions	(1,153)	(797)
Amounts payable under repurchase agreements	(897)	(304)
Subordinated debt	(541)	(448)
	(22,409)	(19,301)
Net interest income	22,671	15,600

6. Fee and commission income and expense

Fee and commission income comprises the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Card operations	4,533	3,338
Settlement transactions	2,056	1,355
Cash operations	1,043	638
Guarantees and letters of credits	462	346
Foreign currency transactions and transactions with securities	102	54
Trust management, custodial and other fiduciary services	—	11
Other	281	222
	8,477	5,964

Fee and commission expense comprises the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Maintenance of card accounts	(3,079)	(1,552)
Settlement transactions	(99)	(50)
Maintenance of nostro accounts	(95)	—
Customer accounts services by financial agents	(42)	(68)
Foreign currency transactions and transactions with securities	(14)	(11)
Other	(149)	(246)
	(3,478)	(1,927)

*(millions of tenge)***7. Net gains from foreign currencies**

Net gains from foreign currencies comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Translation differences, net	(575)	(229)
Dealing transactions, net	3,358	1,041
	2,783	812

8. Credit loss expense

Credit loss expense for the three-month period ended 31 March 2020 and 2019 comprises the following:

	<i>For the three months ended 31 March 2020</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Amounts due from financial institutions	(24)	–	–	–	(24)
Loans to customers <i>(Note 14)</i>	(4,116)	(2,048)	(3,164)	1,251	(8,077)
Investment securities at amortised cost	(108)	(114)	–	–	(222)
Investment securities at FVOCI	(111)	(230)	–	–	(341)
Financial guarantees, letters of credit and loan commitment	2	–	–	–	2
Other financial assets	41	–	–	–	41
	(4,316)	(2,392)	(3,164)	1,251	(8,621)

	<i>For the three months ended 31 March 2019</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Amounts due from financial institutions	(17)	–	–	–	(17)
Loans to customers <i>(Note 14)</i>	(371)	(1,066)	(1,054)	605	(1,886)
Investment securities at amortised cost	(45)	9	–	–	(36)
Investment securities at FVOCI	(27)	203	–	–	176
Financial guarantees, letters of credit and loan commitment	(29)	–	–	–	(29)
Other financial assets	(22)	–	–	–	(22)
	(511)	(854)	(1,054)	605	(1,814)

9. General and administrative expenses

General and administrative expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Personnel expenses and related taxes	(6,228)	(5,241)
Depreciation and amortisation	(1,746)	(1,492)
Taxes other than corporate income tax	(822)	(754)
Repair and maintenance	(549)	(445)
Maintenance of buildings	(417)	(409)
Advertising and marketing	(370)	(386)
Security	(234)	(221)
Telecommunication and information services	(204)	(177)
Rent	(124)	(129)
Transportation	(104)	(90)
Encashment	(101)	(93)
Business trips	(89)	(84)
Other professional services	(40)	(27)
Other	(165)	(1)
	(11,193)	(9,549)

*(millions of tenge)***9. General and administrative expenses (continued)**

General and administrative expenses are presented as follows:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales and marketing	(6,046)	(5,369)
Technology and new product development	(765)	(438)
Other	(4,382)	(3,742)
	(11,193)	(9,549)

10. Corporate income tax expense

Corporate income tax expenses comprise the following:

	<i>For the three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current corporate income tax charge	(252)	–
Deferred corporate income tax charge – origination and reversal of temporary differences	(6,019)	(931)
	(6,271)	(931)

As at 31 March 2020, deferred income tax liabilities amounted to KZT 7,640 million (as at 31 December 2019: KZT 1,621 million).

11. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Cash on hand	56,830	61,370
Cash on current accounts with the NBRK rated BBB-	143,684	35,762
Cash on current accounts with other banks:		
- rated from AA- to AA+	16	–
- rated from A- to A+	28,804	32,573
- rated from BBB- to BBB+	1,049	6,888
- rated from BB- to BB+	1,703	1,831
- rated below B+	299	203
- not rated	314	543
Time deposits with the NBRK rated BBB- with contractual maturity of 90 days or less	165,676	152,640
Amounts receivable under reverse repurchase agreements	7,503	55,440
Cash and cash equivalents before ECL allowance	405,878	347,250
ECL allowance	(8)	(8)
Cash and cash equivalents	405,870	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 March 2020 and 31 December 2019, all balances of cash equivalents are allocated to Stage 1 for ECL measurement purposes.

As at 31 March 2020, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are the bonds of the Ministry of Finance of the Republic of Kazakhstan with the fair value of KZT 8,063 million as at 31 March 2020 (as at 31 December 2019: KZT 56,857 million).

*(millions of tenge)***11. Cash and cash equivalents (continued)****Minimum reserve requirements**

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percentage of specified liabilities of the second-tier banks. Banks are required to comply with these requirements by maintaining average reserve assets (cash in local currency and held on current accounts with the NBRK) equal to or in excess of the average minimum requirements. As at 31 March 2020, minimum reserve requirements of the Bank amount to KZT 27,680 million (as at 31 December 2019: KZT 27,712 million).

Concentration of cash and cash equivalents

As at 31 March 2020 and 31 December 2019, the Group has accounts with one bank which balances exceed 10% of total cash and cash equivalents. The total balance on the accounts with the above counterparties as at 31 March 2020 amounts to KZT 309,360 million (as at 31 December 2019: KZT 188,402 million).

12. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts with the NBRK rated BBB-, restricted in use	6,186	8,221
Deposits with other banks:		
- rated below B+	3,280	3,209
- not rated	725	622
Contingent deposits and deposits pledged as a collateral:		
- rated from AAA	26,019	–
- rated from AA- to AA+	176	150
- rated from A- to A+	6,067	5,185
- rated from BBB- to BBB+	–	3,147
- not rated	6,012	8,368
Amounts due from financial institutions before ECL allowance	48,465	28,902
ECL allowance	(812)	(697)
Amounts due from financial institutions	47,653	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 the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending to businesses.

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

As at 31 March 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 8,179 million (as at 31 December 2019: KZT 6,987 million).

In accordance to the agreement with European Bank for Reconstruction and Development, the Bank placed a conditional deposit for the total amount of USD 66 million (equivalent in tenge – KZT 24,888 million) with maturity in 2023. As at 31 March 2020, the conditional deposit comprised KZT 26,019 million.

Concentration of amounts due from financial institutions

As at 31 March 2020, the Group has amounts due from three financial institutions (as at 31 December 2019: five) which balances individually exceed 10% of total amounts due from financial institutions. The total value of these balances as at 31 March 2020 is KZT 37,847 million (as at 31 December 2019: KZT 25,693 million).

*(millions of tenge)***13. Trading securities**

Trading securities comprise:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Bonds of banks		
- rated from BB- to BB+	5,752	5,012
Total bonds of banks	5,752	5,012
Equity instruments	1,440	1,440
Trading securities	7,192	6,452

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

14. Loans to customers

Loans to customers comprise:

	<i>31 March 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	206,184	9,711	38,922	—	254,817
Total individually significant loans	206,184	9,711	38,922	—	254,817
Individually insignificant loans					
Corporate loans	121,376	7,654	27,727	49	156,806
Mortgage loans	31,839	1,366	25,693	9,046	67,944
Consumer loans	179,536	4,133	7,225	—	190,894
Car loans	1,479	1	517	—	1,997
Credit cards	5,115	209	689	—	6,013
Other loans secured by collateral	118,991	7,463	62,564	12,623	201,641
Total individually insignificant loans	458,336	20,826	124,415	21,718	625,295
Loans to customers before ECL allowance	664,520	30,537	163,337	21,718	880,112
ECL allowance	(11,283)	(2,987)	(72,785)	4,140	(82,915)
Loans to customers	653,237	27,550	90,552	25,858	797,197
	<i>31 December 2019</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
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 loans					
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 ECL allowance	655,240	26,081	153,492	22,541	857,354
ECL allowance	(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)***14. Loans to customers (continued)****Quality of individually significant loans**

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

<i>31 March 2020 (unaudited)</i>				
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	<i>ECL allowance to loans before ECL allowance, (%)</i>
Individually significant loans				
Stage 1 loans				
- not overdue	196,908	(1,943)	194,965	0.99
- overdue less than 30 days	9,276	(3)	9,273	0.03
Stage 2 and 3 loans				
- not overdue	13,364	(2,236)	11,128	16.73
- overdue for less than 90 days	3,339	(1,223)	2,116	36.63
- overdue for 90 days to 360 days	2,277	(838)	1,439	36.80
- overdue for more than 360 days	29,653	(22,715)	6,938	76.60
Total Stage 2 and 3 loans	48,633	(27,012)	21,621	55.54
Total individually significant loans	254,817	(28,958)	225,859	11.36

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

<i>31 December 2019</i>				
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	<i>ECL allowance to loans before ECL allowance, (%)</i>
Individually significant loans				
Stage 1 loans				
- not overdue	188,466	(1,250)	187,216	0.66
- overdue less than 30 days	—	—	—	—
Stage 2 and 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
Total Stage 2 and 3 loans	45,900	(26,176)	19,724	57.03
Total individually significant loans	234,366	(27,426)	206,940	11.70

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually significant loans (continued)***Analysis of movements in the ECL allowances*

An analysis of changes in the ECL allowances in relation to individually significant loans during the three-month period ended 31 March 2020 is as follows:

<i>For the three months ended 31 March 2020</i>					
<i>(unaudited)</i>					
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans					
ECL as at 1 January 2020	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(388)	–	–	–	(388)
Assets derecognised or repaid (excluding write-offs)	239	41	185	–	465
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 ECL calculations during the period	(364)	(3)	261	–	(106)
Unwinding of discount	–	–	(747)	–	(747)
Recoveries	–	–	(161)	–	(161)
Write-offs	–	–	1,553	–	1,553
Effect from changes in exchange rates	(183)	(36)	(1,929)	–	(2,148)
At 31 March 2020	(1,946)	(33)	(26,979)	–	(28,958)

Movements in the allowance for impairment of corporate loans that are individually significant for three-month period ended 31 March 2019 is as follows:

<i>For the three months ended 31 March 2019</i>				
<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2019	(1,635)	(558)	(26,963)	(29,156)
New assets originated or purchased	(109)	–	–	(109)
Assets derecognised or repaid (excluding write-offs)	611	60	1,955	2,626
Transfers to Stage 1	(30)	30	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	582	(582)	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(3)	(114)	(1,265)	(1,382)
Transfer between categories	–	–	669	669
Unwinding of discount	–	–	(569)	(569)
Recoveries	–	–	(1,800)	(1,800)
Write-offs	–	–	902	902
Effect from changes in exchange rates	93	–	21	114
At 31 March 2019	(1,073)	–	(27,632)	(28,705)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans**

The following table provides information on the credit quality of individually insignificant loans as at 31 March 2020:

	<i>31 March 2020 (unaudited)</i>			
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	<i>ECL allowance to loans before ECL allowance, (%)</i>
Individually insignificant corporate loans				
Not overdue	115,956	(891)	115,065	0.77
Overdue less than 30 days	15,753	(68)	15,685	0.43
Overdue from 30 to 89 days	2,513	(71)	2,442	2.83
Overdue from 90 to 179 days	865	(32)	833	3.70
Overdue from 180 to 360 days	1,382	(80)	1,302	5.79
Overdue more than 360 days	20,288	(9,134)	11,154	45.02
POCI	49	16	65	–
Total individually insignificant corporate loans	156,806	(10,260)	146,546	6.54
Mortgage loans				
Not overdue	30,049	(225)	29,824	0.75
Overdue less than 30 days	3,517	(36)	3,481	1.02
Overdue from 30 to 89 days	712	(40)	672	5.62
Overdue from 90 to 179 days	149	(6)	143	4.03
Overdue from 180 to 360 days	374	(50)	324	13.37
Overdue more than 360 days	24,097	(10,486)	13,611	43.52
POCI	9,046	1,667	10,713	–
Total mortgage loans	67,944	(9,176)	58,768	13.51
Consumer loans				
Not overdue	165,470	(3,867)	161,603	2.34
Overdue less than 30 days	13,878	(3,539)	10,339	25.50
Overdue from 30 to 89 days	3,981	(2,362)	1,619	59.33
Overdue from 90 to 179 days	3,209	(2,557)	652	79.68
Overdue from 180 to 360 days	3,807	(3,019)	788	79.30
Overdue more than 360 days	549	(364)	185	66.30
Total consumer loans	190,894	(15,708)	175,186	8.23
Car loans				
Not overdue	1,428	(1)	1,427	0.07
Overdue less than 30 days	56	–	56	0.00
Overdue from 30 to 89 days	2	–	2	0.00
Overdue from 90 to 179 days	–	–	–	–
Overdue from 180 to 360 days	2	–	2	0.00
Overdue more than 360 days	509	(146)	363	28.68
Total car loans	1,997	(147)	1,850	7.36
Credit cards				
Not overdue	4,391	(925)	3,466	21.07
Overdue less than 30 days	729	(389)	340	53.36
Overdue from 30 to 89 days	205	(205)	–	100.00
Overdue from 90 to 179 days	162	(135)	27	83.33
Overdue from 180 to 360 days	258	(231)	27	89.53
Overdue more than 360 days	268	(268)	–	100.00
Total credit cards	6,013	(2,153)	3,860	35.81
Other loans secured by collateral				
Not overdue	103,376	(179)	103,197	0.17
Overdue less than 30 days	21,633	(104)	21,529	0.48
Overdue from 30 to 89 days	5,669	(55)	5,614	0.97
Overdue from 90 to 179 days	1,802	(45)	1,757	2.50
Overdue from 180 to 360 days	2,806	(119)	2,687	4.24
Overdue more than 360 days	53,732	(18,468)	35,264	34.37
POCI	12,623	2,457	15,080	–
Total other loans secured by collateral	201,641	(16,513)	185,128	8.19
Total individually insignificant loans	625,295	(53,957)	571,338	8.63

(millions of tenge)

14. Loans to customers (continued)**Quality of individually insignificant loans (continued)**

The following table provides information on the credit quality of individually insignificant loans as at 31 December 2019:

	31 December 2019			<i>ECL allowance to loans before ECL allowance, (%)</i>
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	
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	—
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	—
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
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	—
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

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in the ECL allowances*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three-month period ended 31 March 2020 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 31 March 2020</i>				
	<i>(unaudited)</i>			<i>POCI</i>	<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>		
ECL as at 1 January 2020	(294)	(203)	(9,103)	16	(9,584)
New assets originated or purchased	(160)	–	–	–	(160)
Assets derecognised or repaid (excluding write-offs)	102	9	3,843	–	3,954
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	5	(6)	1	–	–
Transfers to Stage 3	–	12	(12)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(105)	(55)	(1,219)	–	(1,379)
Unwinding of discount	–	–	(331)	–	(331)
Recoveries	–	–	(3,469)	–	(3,469)
Write-offs	–	–	1,600	–	1,600
Effect from changes in exchange rates	–	(24)	(867)	–	(891)
At 31 March 2020	(452)	(267)	(9,557)	16	(10,260)

An analysis of changes in the ECL in relation to individually insignificant corporate loans for the three-month period ended 31 March 2019 are as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 31 March 2019</i>				
	<i>(unaudited)</i>			<i>POCI</i>	<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>		
ECL at 1 January 2019	–	(30)	(5,881)	13	(5,898)
New assets originated or purchased	(33)	–	–	–	(33)
Assets derecognised or repaid (excluding write-offs)	83	36	680	–	799
Transfers to Stage 1	(33)	33	–	–	–
Transfers to Stage 2	8	(14)	6	–	–
Transfers to Stage 3	33	3	(36)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(183)	(123)	(633)	–	(939)
Transfer between categories	–	–	(669)	–	(669)
Unwinding of discount	–	–	(145)	–	(145)
Recoveries	–	–	(1,034)	–	(1,034)
Write-offs	–	–	825	–	825
Effect from changes in exchange rates	–	–	57	–	57
At 31 March 2019	(125)	(95)	(6,830)	13	(7,037)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to mortgage loans for the three-month period ended 31 March 2020 is as follows:

Mortgage loans	For the three months ended 31 March 2020				
	(unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	(81)	(10)	(9,656)	1,112	(8,635)
New assets originated or purchased	(10)	–	–	–	(10)
Assets derecognised or repaid (excluding write-offs)	–	–	383	–	383
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	1	(1)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(8)	(11)	(2,521)	555	(1,985)
Unwinding of discount	–	–	(411)	–	(411)
Recoveries	–	–	(363)	–	(363)
Write-offs	–	–	2,083	–	2,083
Effect from changes in exchange rates	–	–	(238)	–	(238)
At 31 March 2020	(98)	(21)	(10,724)	1,667	(9,176)

An analysis of changes in the ECL in relation to mortgage loans for the three-month period ended 31 March 2019 are as follows:

Mortgage loans	For the three months ended 31 March 2019				
	(unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	(92)	(22)	(10,087)	108	(10,093)
New assets originated or purchased	(6)	–	–	–	(6)
Assets derecognised or repaid (excluding write-offs)	51	4	1,285	88	1,428
Transfers to Stage 1	(7)	7	–	–	–
Transfers to Stage 2	3	(3)	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(28)	(14)	(1,118)	150	(1,010)
Unwinding of discount	–	–	(317)	–	(317)
Recoveries	–	–	(985)	–	(985)
Write-offs	–	–	1,137	3	1,140
Effect from changes in exchange rates	–	–	–	–	–
At 31 March 2019	(79)	(28)	(10,085)	349	(9,843)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to consumer loans for the three-month period ended 31 March 2020 are as follows:

<i>Consumer loans</i>	<i>For the three months ended 31 March 2020</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2020	(4,006)	(1,603)	(4,307)	–	(9,916)
New assets originated or purchased	(804)	–	–	–	(804)
Assets derecognised or repaid (excluding write-offs)	286	18	138	–	442
Transfers to Stage 1	(324)	221	103	–	–
Transfers to Stage 2	80	(111)	31	–	–
Transfers to Stage 3	28	987	(1,015)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(2,595)	(1,915)	(1,365)	–	(5,875)
Unwinding of discount	–	–	(445)	–	(445)
Recoveries	–	–	(15)	–	(15)
Write-offs	–	–	916	–	916
Effect from changes in exchange rates	–	–	(11)	–	(11)
At 31 March 2020	(7,335)	(2,403)	(5,970)	–	(15,708)

An analysis of changes in the ECL in relation to consumer loans for the three-month period ended 31 March 2019 are as follows:

<i>Consumer loans</i>	<i>For the three months ended 31 March 2019</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL at 1 January 2019	(2,074)	(688)	(7,667)	–	(10,429)
New assets originated or purchased	(421)	(2)	(3)	–	(426)
Assets derecognised or repaid (excluding write-offs)	704	117	397	–	1,218
Transfers to Stage 1	(228)	113	115	–	–
Transfers to Stage 2	82	(100)	18	–	–
Transfers to Stage 3	59	462	(521)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(789)	(989)	(737)	–	(2,515)
Unwinding of discount	–	–	(583)	–	(583)
Recoveries	–	–	(150)	–	(150)
Write-offs	–	–	599	–	599
Effect from changes in exchange rates	–	–	–	–	–
At 31 March 2019	(2,667)	(1,087)	(8,532)	–	(12,286)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans(continued)***Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to car loans for the three-month period ended 31 March 2020 is as follows:

<i>Car loans</i>	<i>For the three months ended 31 March 2020</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2020	—	—	(91)	—	(91)
Assets derecognised or repaid (excluding write-offs)	—	—	30	—	30
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	—	—	(111)	—	(111)
Unwinding of discount	—	—	(5)	—	(5)
Recoveries	—	—	(30)	—	(30)
Write-offs	—	—	60	—	60
At 31 March 2020	—	—	(147)	—	(147)

An analysis of changes in the ECL in relation to car loans for the three-month period ended 31 March 2019 are as follows:

<i>Car loans</i>	<i>For the three months ended 31 March 2019</i>				
	<i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL at 1 January 2019	—	—	(483)	—	(483)
New assets originated or purchased	—	—	—	—	—
Assets derecognised or repaid (excluding write-offs)	—	—	14	—	14
Changes to inputs used for ECL calculations during the period	—	—	(58)	—	(58)
Unwinding of discount	—	—	(22)	—	(22)
Recoveries	—	—	(12)	—	(12)
Write-offs	—	—	37	—	37
Effect from changes in exchange rates	—	—	—	—	—
At 31 March 2019	—	—	(524)	—	(524)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans(continued)***Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL in relation to credit card loans for the three-month period ended 31 March 2020 are as follows:

Credit cards	For the three months ended 31 March 2020				
	(unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(42)	–	–	–	(42)
Assets derecognised or repaid (excluding write-offs)	123	8	14	–	145
Transfers to Stage 1	(21)	13	8	–	–
Transfers to Stage 2	5	(8)	3	–	–
Transfers to Stage 3	7	54	(61)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(382)	(121)	(106)	–	(609)
Unwinding of discount	–	–	(21)	–	(21)
Recoveries	–	–	(1)	–	(1)
Write-offs	–	–	47	–	47
At 31 March 2020	(1,305)	(210)	(638)	–	(2,153)

An analysis of changes in the ECL in relation to credit cards for the three-month period ended 31 March 2019 are as follows:

Credit cards	For the three months ended 31 March 2019				
	(unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	(453)	(48)	(184)	–	(685)
New assets originated or purchased	(291)	–	–	–	(291)
Assets derecognised or repaid (excluding write-offs)	1	–	2	–	3
Transfers to Stage 1	23	(23)	–	–	–
Transfers to Stage 2	(12)	38	(26)	–	–
Transfers to Stage 3	(3)	(1)	4	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	53	(48)	(27)	–	(22)
Unwinding of discount	–	–	(12)	–	(12)
Recoveries	–	–	(2)	–	(2)
Write-offs	–	–	19	–	19
Effect from changes in exchange rates	–	–	–	–	–
At 31 March 2019	(682)	(82)	(226)	–	(990)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in the ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the three-month period ended 31 March 2020 is as follows:

Other loans secured by collateral	For the three months ended 31 March 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	(132)	(28)	(16,563)	1,761	(14,962)
New assets originated or purchased	(115)	—	—	—	(115)
Assets derecognised or repaid (excluding write-offs)	—	—	935	—	935
Transfers to Stage 1	(14)	6	8	—	—
Transfers to Stage 2	7	(14)	7	—	—
Transfers to Stage 3	—	2	(2)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	107	(19)	(3,631)	696	(2,847)
Unwinding of discount	—	—	(840)	—	(840)
Recoveries	—	—	(729)	—	(729)
Write-offs	—	—	3,701	—	3,701
Effect from changes in exchange rates	—	—	(1,656)	—	(1,656)
At 31 March 2020	(147)	(53)	(18,770)	2,457	(16,513)

An analysis of changes in the ECL in relation to other loans secured by collateral for the three-month period ended 31 March 2019 are as follows:

Other loans secured by collateral	For the three months ended 31 March 2019 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL at 1 January 2019	(72)	(23)	(16,767)	453	(16,409)
New assets originated or purchased	(58)	—	—	—	(58)
Assets derecognised or repaid (excluding write-offs)	102	13	2,440	23	2,578
Transfers to Stage 1	(3)	3	—	—	—
Transfers to Stage 2	6	(13)	7	—	—
Transfers to Stage 3	15	1	(16)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(55)	(6)	(3,986)	344	(3,703)
Unwinding of discount	—	—	(621)	—	(621)
Recoveries	—	—	(1,104)	—	(1,104)
Write-offs	—	—	3,347	(40)	3,307
Effect from changes in exchange rates	—	—	—	—	—
At 31 March 2019	(65)	(25)	(16,700)	780	(16,010)

*(millions of tenge)***14. Loans to customers (continued)****Quality of individually insignificant loans (continued)***Analysis of movements in the ECL allowances (continued)*

The table below includes an analysis of non-performing loans presented at stage 3 and POCI loans:

	31 March 2020 (unaudited)	31 December 2019
Stage 3 and POCI		
Non-performing loans not overdue	9,824	12,309
Non-performing loans overdue and restructured loans	66,244	60,933
Other credit-impaired loans	108,987	102,791
	185,055	176,033
 ECL allowance	 (68,645)	 (63,493)
	116,410	112,540

Non-performing loans in the table above include loans that were non-performing as at 1 October 2014 and transferred to the division of problem loans of the Bank.

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised during the three-month period ended 31 March 2020 and 2019 were as follows:

	For the three months ended 31 March (unaudited)	
	2020	2019
	(unaudited)	(unaudited)
Mortgage loans	251	207
Other loans secured by collateral	398	412
Total undiscounted ECL at initial recognition of POCI	649	619

Analysis of collateral and other 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 loan quality. However, collateral represents additional securities, and the Group generally asks corporate borrowers for its provision.

Guarantees and suretyship from individuals including shareholders of borrowers represented by small and medium-sized businesses are not taken into account in impairment assessment. Recoverability of neither past due nor individually impaired loans mainly depends on creditworthiness of the borrower rather than on value of collateral.

For certain mortgage loans and other loans to individuals, the Group updates the estimated values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Group may also carry out a specific individual valuation of collateral at each reporting date where indications of impairments exist.

The amount and type of collateral required 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 securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties.

As at 31 March 2020, loans net of ECL allowance overdue over 90 days amount to KZT 83,665 million (as at 31 December 2019: KZT 80,961 million). As at 31 March 2020, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 101,079 million (as at 31 December 2019: KZT 121,345 million).

*(millions of tenge)***14. Loans to customers (continued)****Analysis of collateral and other enhancements (continued)***Reposessed collateral*

During the three-month period ended 31 March 2020, the Group reposessed collateral on loans to customers, represented by real estate, with a carrying amount totalling to KZT 1,736 million (three-month period ended 31 March 2019: KZT 2,451 million) (*Note 16*). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 March 2020, the concentration of loans issued by the Group to the ten largest independent borrowers amounted to KZT 130,678 million or 14.8% of the total loan portfolio (as at 31 December 2019: KZT 120,211 million or 14.0% of the total loan portfolio). ECL allowance for these loans is KZT 716 million (as at 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:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans to retail customers	468,489	470,138
Metallurgy	67,236	61,447
Wholesale trading	63,710	60,512
Real estate activities	52,155	50,495
Services provided by small and medium businesses	39,401	40,185
Retail services	37,691	33,624
Construction	31,747	34,082
Food industry	20,421	18,696
Financial services	17,222	15,748
Transportation	12,875	12,063
Production of crude oil and natural gas	6,709	6,763
Textile production	6,494	5,943
Production of metal goods	3,357	3,233
Agriculture	2,826	2,907
Manufacturing	2,385	2,429
Chemical industry	1,052	1,373
Post and communication	1,039	1,111
Machine-engineering	528	462
Other	44,775	36,143
	880,112	857,354
ECL allowance	(82,915)	(72,286)
	797,197	785,068

*(millions of tenge)***15. Investment securities**

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

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Debt investment securities measured at amortised cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	22,830	19,398
Bonds of foreign countries rated from BB- to BB+	914	771
Total government bonds	23,744	20,169
Corporate bonds		
Rated from BBB- to BBB+	90,242	76,655
Rated from BB- to BB+	164,853	160,266
Total corporate bonds	255,095	236,921
Bonds of banks		
Rated from B- to B+	5,485	4,760
Total bonds of banks	5,485	4,760
Investment securities measured at amortised cost before ECL allowance	284,324	261,850
ECL allowance	(1,154)	(808)
Investment securities at amortised cost	283,170	261,042
	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Debt securities at FVOCI		
Government bonds		
Notes of the NBRK rated BBB-	220,756	265,726
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	91,807	90,793
Bonds of the Sultanate of Oman rated BB	1,262	1,156
Total government bonds	313,825	357,675
Corporate bonds		
Rated from AA- to AA+	962	794
Rated from BBB- to BBB+	43,160	36,517
Total corporate bonds	44,122	37,311
Bonds of banks		
Rated from A- to A+	9,674	8,259
Rated from BBB- to BBB+	16,710	18,723
Rated from BB- to BB+	40,967	30,521
Rated below B+	6,306	5,935
Total bonds of banks	73,657	63,438
Investment securities at FVOCI	431,604	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 March 2020, investment securities at FVOCI, represented by treasury bills of the Ministry of Finance of the Republic of Kazakhstan, notes of the NBRK and corporate bonds of "Mortgage organisation "Baspana" JSC with the fair value of KZT 26,538 million (31 December 2019: KZT 44,238 thousand), KZT 19,395 million (31 December 2019: KZT 59,667 thousand) and KZT 8,900 million (31 December 2019: KZT 15,185 thousand), respectively, were pledged under the repurchase agreements entered into at KASE.

*(millions of tenge)***15. Investment securities (continued)**

On 11 October 2018, the Group acquired bonds of NAC Kazatomprom JSC, indexed to the US dollar and maturing on 11 November 2019 with a nominal value of KZT 70,000 million, which were sold in September 2019. 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 KZT a coupon of 4% per annum. The fair value of the bonds at initial recognition amounted to KZT 77,053 million measured using the effective interest rate of 1.89% per annum. The Group classified these bonds as investment securities measured at amortised cost.

On 25 September 2018 and 28 September 2018, the Group purchased corporate bonds of National Welfare Fund “Samruk Kazyna” JSC and “Kazakhstan Temir Zholy” JSC maturing on 15 November 2024 and classified as investment securities measured at amortised cost with fair value at initial recognition of KZT 75,274 million and KZT 75,275 million, respectively.

Debt securities issued by the Group, which are held by NWF Samruk-Kazyna JSC (*Note 19*) with a total nominal value of KZT 220,000 million, act as a collateral for obligations to the Group on the above list.

16. Other assets

Other assets comprise the following:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Other receivables from banking activities	12,919	12,323
Other receivables	18,885	17,472
	31,804	29,795
ECL allowance	(3,023)	(3,014)
Other financial assets	28,781	26,781
Reposessed collaterals	59,903	59,684
Prepayments and other receivables	5,423	7,141
Prepaid taxes, other than corporate income tax	2,856	2,630
Inventories held for sale	2,301	5,648
Inventories	698	624
Investment property	588	592
Other	208	65
	71,977	76,384
Provision	(121)	(122)
Other non-financial assets	71,856	76,262
Total other assets	100,637	103,043

During the three-month period ended 31 March 2020, the Group took possession of collaterals with a total value of KZT 1,736 million (three-month period ended 31 March 2019: KZT 2,451 million). Even though the Group is currently working actively to dispose reposessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the reposessed collateral.

*(millions of tenge)***17. Current accounts and deposits of customers**

Current accounts and deposits of customers comprise:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts and demand deposits		
- Retail customers	70,731	77,686
- Corporate customers	457,988	366,126
Term deposits		
- Retail customers	505,613	502,476
- Corporate customers	362,010	326,046
Guarantee deposits		
- Retail customers	20,376	23,538
- Corporate customers	46,687	41,077
	1,463,405	1,336,949
Held as security against letters of credit and guarantees (Note 24)	(1,312)	(1,689)

Concentration of current accounts and deposits of customers

As at 31 March 2020, total amount of account balances of top 10 clients amounted to KZT 248,600 million or 17% of total current accounts and deposits of customers (as at 31 December 2019: KZT 193,526 million or 14%).

As at 31 March 2020 time deposits include deposits of individuals in the amount of KZT 248,272 million (as at 31 December 2019: KZT 245,716 million), which are guaranteed by KDIF on behalf of the government.

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

18. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise the following:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans from governmental organizations	82,065	110,262
Loans from other financial institutions	29,349	7,543
Current accounts and deposits of banks	30	1
	111,444	117,806

As at 31 March 2020, loans from governmental organizations include loans from Entrepreneurship Development Fund “Damu” JSC and Development Bank of Kazakhstan JSC in the amount of KZT 57,926 million and KZT 10,977 million respectively (as at 31 December 2019: KZT 68,136 million and KZT 10,984 million, respectively), received under the state program for support of small and medium-sized businesses by the banking sector. The loans are denominated in tenge, bear interest rates of 1.0%-9.58% per annum and mature in 2020-2035.

As at 31 March 2020, loans from governmental organizations also include deposits in the amount of KZT 10,644 million (as at 31 December 2019: KZT 27,272 million) received from Kazakhstan Sustainability Fund JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The deposits are denominated in tenge, bear nominal interest rates of 0.10%-2.99% per annum and mature in 2038.

In February 2020, the Bank signed agreements with Kazakhstan Sustainability Fund JSC as part of the program for refinancing of mortgage and housing loans to customers approved by the NBRK, in accordance with which the terms of placement of received deposits were prolonged up to 30 years. Return of deposits will be made at the end of the term. As a result of modification, the Bank recognized net gains from derecognition of financial liabilities as a result of modification in the amount of KZT 17,956 million in the interim condensed consolidated statement of comprehensive income.

*(millions of tenge)***18. Amounts due to banks and other financial institutions (continued)**

As at 31 March 2020, loans from other financial institutions include loans in the amount of KZT 24,317 million (as at 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 tenge, bear interest rate of 7.05%-9.25% per annum and mature in 2020-2023. In accordance to the agreement between the Bank and EBRD, the Bank placed a conditional deposit with maturity of up to 2023 (*Note 12*).

19. Debt securities issued

Debt securities issued included the following:

	<i>Maturity date</i>	<i>Coupon rate</i>	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Bonds denominated in US dollars				
Eurobonds issued in 2019	2022	3.00%	19,170	14,946
Eurobonds issued in 2010	2022	14%	16,662	13,757
			35,832	28,703
Bonds denominated in tenge				
Bonds issued in 2018	2024	4.00%	153,504	148,755
Bonds issued in 2015	2025	10.13%	46,687	47,813
Bonds issued in 2010	2020	8% (1% + inflation index)	—	3,992
			200,191	200,560
			236,023	229,263

In September 2018, the Bank issued debt securities with a total nominal value of KZT 220,000 million, coupon rate of 4% p.a. and maturity in 2024. The securities were acquired by National Welfare Fund Samruk-Kazyna in exchange for KZT 220,000 million deposit placed with the Bank on similar terms.

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

In February 2020 the Bank placed debt securities for the total amount of USD 3,406,954 (tenge equivalent – KZT 1,282 million), issued on 5 August 2019 as part of private bond issuance with the total nominal value of USD 100,000,000 listed at Astana International Exchange.

20. Subordinated debt

Subordinated debt comprises the following:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Subordinated debt securities issued	23,070	22,648
Long-term loans denominated in tenge	1,904	1,919
Long-term loans denominated in US Dollars	430	364
Debt component of preferred shares	1,020	1,020
	26,424	25,951

As at 31 March 2020 and 31 December 2019, subordinated debt securities include subordinated bonds denominated in tenge, maturing in 2020-2031 with a fixed coupon rate of 8% per annum. The coupon is paid semi-annually.

In December 2010 the Group placed 1,000,000 preferred shares at the placement value of KZT 1,000 per share. These preferred shares do not have any voting rights unless payment of preferred dividends has been delayed for three months and carry a cumulative dividend of a minimum of 8% per annum, but not less than dividends on ordinary shares.

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the obligation to distribute dividends is shown as a liability and the balance of the issue proceeds as equity. For the three-months ended 31 March 2020 and 2019, expenses on dividends accrued on preferred shares amounted to KZT 20 million and were classified as interest expenses in accordance with IAS 32.

*(millions of tenge)***21. Share capital**

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

	31 March 2020 (unaudited)	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 re-acquired 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 common shares were as follows:

	Number of common shares	Placement value of common shares
At 1 January 2020	89,493,581,272	328,377
Purchase of treasury shares (unaudited)	(498,312,880)	(822)
At 31 March 2020 (unaudited)	88,995,268,392	327,555
At 1 January 2019	91,140,151,301	331,504
Purchase of treasury shares (unaudited)	–	–
At 31 March 2019 (unaudited)	91,140,151,301	331,504

22. Earnings per share

The following table reflects net profit and share information used in the basic and diluted earnings per share computations:

	For the three months ended 31 March 2020 (unaudited)	2019 (unaudited)
Net profit attributable to the shareholders of the Bank	20,781	6,478
The weighted average number of common shares for the three-month period ended 31 March	89,482,629,341	91,140,151,301
Basic and diluted earnings per share, in tenge	0.23	0.07

23. 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 March 2020 and 31 December 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 maximise 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.

Under the current capital requirements set by the NBRK, 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) of not less than 5.5%;
- 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) of not less than 6.5%;
- 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) of not less than 8%.

*(millions of tenge)***23. Capital management (continued)**

Investments for the purposes of calculation of the above ratios represent investments into share capital (share 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 March 2020 and 31 December 2019:

	<i>31 March 2020 (unaudited)</i>	<i>31 December 2019</i>
Tier 1 capital	225,262	212,322
Tier 2 capital	16,601	16,601
Total capital	241,863	228,923
Risk-weighted statutory assets, contingent liabilities, operational and market risk	1,151,353	1,251,120
Ratio k1	19.6%	17.0%
Ratio k1-2	19.6%	17.0%
Ratio k2	21.0%	18.3%

In February 2020 the Group's asset quality review as at 1 April 2019 initiated by the NBRK was completed. As at the date of the review, the Group has the capacity of its own capital taking into account the results of the review.

24. Commitments and contingencies**Political and economic environment**

The 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 Kazakhstani 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.

Due to the high level of uncertainty, as well as the limited current and consistent information about the actual financial position of the Group's counterparties and borrowers, it is currently impossible to assess with sufficient degree of certainty the impact of changes in the economic environment on the Group's performance in 2020. The management of the Bank believes that it is taking appropriate measures to maintain the economic stability of the Group in the current conditions.

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, loan commitments and letters of credit, the Group applies the same risk management policies and procedures used when issuing loans to customers.

*(millions of tenge)***24. Commitments and contingencies (continued)****Credit related commitments (continued)**

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 fulfil their contractual obligations.

	31 March 2020 (unaudited)	31 December 2019
Loan commitments	106,935	139,352
Guarantees issued	49,766	44,209
Letters of credit	258	223
	156,959	183,784
Less: current accounts and deposits of customers, held as security against letters of credit and guarantees (<i>Note 17</i>)	(1,312)	(1,689)
Less: ECL allowance	(329)	(299)
	155,318	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 financial position of the borrower, change of the refinancing 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.

Taxation 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. The adequacy of tax assessment in the reporting period may be reviewed during the next five 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 interim condensed 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 interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25. Related party transactions**Remuneration of members of the Board of Directors and the Management Board**

Total remuneration to members of the Management Board and Board of Directors included in general and administrative expenses for three and three months ended 31 March 2020 and 2019 is as follows:

	For the three months ended 31 March 2020 (unaudited)	2019 (unaudited)
Members of the Board of Directors and the Management Board of the Group	196	178
	196	178

*(millions of tenge)***25. Related party transactions (continued)****Remuneration of members of the Board of Directors and the Management Board (continued)**

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 March 2020, total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 488 million (as at 31 December 2019: KZT 1,834 million) and in accordance with the Decree of the NBRK No. 74 dated 24 February 2012, should be paid during the period of not less than three years under the specific conditions.

Transactions with other related parties

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 31 March 2020 and related profit or loss for the three months and three months ended 31 March 2020 from transactions with related parties are as follows:

<i>31 March 2020 (unaudited)</i>							
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>		<i>Total</i>
	<i>Average effective interest rate, (%)</i>	<i>In million tenge</i>	<i>Average effective interest rate, (%)</i>	<i>In million tenge</i>	<i>Average effective interest rate, (%)</i>	<i>In million tenge</i>	<i>In million tenge</i>
Assets							
Loans to customers	—	—	—	—	4,582	5.00	4,582
Other assets	—	—	79	—	2	—	81
Liabilities							
Current accounts and deposits of customers	8,940	1.21	18,788	1.06	14,811	0.41	42,539
Subordinated debt	—	—	—	—	1,020	8.00	1,020
Other liabilities	—	—	39	—	—	—	39
Contingent liabilities	—	—	—	—	125	—	125
<i>For the three months ended 31 March 2020 (unaudited)</i>							
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>		<i>Total</i>
Income/(expense)							
Interest income		—		—		59	59
Interest expense		(27)		(17)		(4)	(48)
Fee and commission income		1		11		2	14
Other expenses		—		(27)		(10)	(37)

*(millions of tenge)***25. Related party transactions (continued)****Transactions with other related parties (continued)**

The outstanding balances and the related average effective rates as at 31 December 2019, and related income or loss from transactions with related parties for the three months and three months ended 31 March 2019 are as follows:

31 December 2019							
	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate (%)	In million tenge	Average effective interest rate (%)	In million tenge	Average effective interest rate (%)	In 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

*For the three months ended 31 March 2019
(unaudited)*

	<i>Shareholders</i>	<i>Entities under common control</i>	<i>Other related parties</i>	<i>Total</i>
Income/(expenses)				
Interest income	—	—	2	2
Interest expense	(7)	(10)	(34)	(51)
Fee and commission income	—	4	2	6
Other income	—	1	—	1
Other expenses	—	(1)	—	(1)

26. Segment information

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) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with small and medium business clients (legal entities and individual entrepreneurs).
- Retail banking (RB) – includes issuance of loans, attracting deposits, 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, 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)***26. Segment information (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 authorised body of the Bank.

	31 March 2020 (unaudited)					
	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	123,836	76,063	162,681	—	43,290	405,870
Amounts due from financial institutions	—	—	—	47,653	—	47,653
Trading securities	—	—	—	7,192	—	7,192
Loans to customers	144,809	212,328	352,057	—	88,003	797,197
Investment securities	—	—	—	714,774	—	714,774
Property and equipment	—	—	—	—	73,163	73,163
Intangible assets	—	—	—	—	9,784	9,784
Other assets	42	1,066	1,733	420	97,376	100,637
Total assets	268,687	289,457	516,471	770,039	311,616	2,156,270
Liabilities						
Current accounts and deposits of customers	568,235	289,904	605,266	—	—	1,463,405
Amounts due to banks and other financial institutions	9,560	81,283	6,376	5,802	8,423	111,444
Amounts payable under repurchase agreements	—	—	—	53,037	—	53,037
Debt securities issued	46,687	—	19,123	153,504	16,709	236,023
Deferred income tax liabilities	—	—	—	—	7,640	7,640
Subordinated debt	—	—	—	3,354	23,070	26,424
Other liabilities	55	391	872	10	12,612	13,940
Total liabilities	624,537	371,578	631,637	215,707	68,454	1,911,913
Equity						
Share capital	—	—	—	—	332,815	332,815
Additional paid-in capital	—	—	—	—	21,109	21,109
Treasury shares	—	—	—	—	(5,260)	(5,260)
Fair value reserve	—	—	—	—	1,304	1,304
Accumulated losses	—	—	—	—	(105,611)	(105,611)
Total equity attributable to shareholders of the Bank	—	—	—	—	244,357	244,357

(millions of tenge)

26. Segment information (continued)

	<i>31 December 2019</i>					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
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 income 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
<i>For the three months ended 31 March 2020 (unaudited)</i>						
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	2,180	6,534	19,187	13,982	3,197	45,080
Interest expense	(5,834)	(2,241)	(6,832)	(5,770)	(1,732)	(22,409)
Net interest income	(3,654)	4,293	12,355	8,212	1,465	22,671
Fee and commission income	410	4,025	3,614	54	374	8,477
Fee and commission expense	(187)	(1,330)	(1,773)	(47)	(141)	(3,478)
Net gains from financial instruments at fair value through profit or loss	—	—	—	393	—	393
Net gains/(losses) from foreign currencies	939	1,797	1,297	(3,770)	2,520	2,783
Net gains on derecognition of investment securities at fair value through other comprehensive income	—	—	—	1	—	1
Net gains on derecognition of financial liabilities as a result of modification	5	—	493	—	17,458	17,956
Other income	—	21	68	—	803	892
Non-interest income	1,167	4,513	3,699	(3,369)	21,014	27,024
Credit loss expense	(282)	(423)	(5,598)	(602)	(1,716)	(8,621)
General and administrative expenses	(416)	(2,507)	(5,866)	(467)	(1,937)	(11,193)
Other expenses	(13)	(163)	(804)	(10)	(1,839)	(2,829)
Non-interest expense	(711)	(3,093)	(12,268)	(1,079)	(5,492)	(22,643)
(Loss)/profit before corporate income tax expense	(3,198)	5,713	3,786	3,764	16,987	27,052
Corporate income tax expense	—	(1,184)	(784)	(780)	(3,523)	(6,271)
Profit for the period	(3,198)	4,529	3,002	2,984	13,464	20,781

(millions of tenge)

26. Segment information (continued)

	For the three months ended 31 March 2019					
	CB	SMB	RB	Investing activities	Other	Total
Interest income	2,332	5,067	14,103	11,126	2,273	34,901
Interest expense	(2,858)	(1,158)	(6,773)	(329)	(8,183)	(19,301)
Net interest income	(526)	3,909	7,330	10,797	(5,910)	15,600
Fee and commission income	232	2,670	3,048	14	—	5,964
Fee and commission expense	(8)	(643)	(1,238)	(38)	—	(1,927)
Net losses from financial instruments at fair value through profit or loss	—	—	—	(619)	—	(619)
Net gains on derecognition of investment securities at fair value through other comprehensive income	—	—	—	23	—	23
Net gains/(losses) from foreign currencies	774	804	438	421	(1,625)	812
Other income	—	1	54	—	745	800
Non-interest income	998	2,832	2,302	(199)	(880)	5,053
Reversal of credit loss allowances / (credit loss expense)	403	28	(2,669)	122	302	(1,814)
General and administrative expenses	(510)	(2,080)	(4,775)	(587)	(1,597)	(9,549)
Other expenses	(102)	(55)	(637)	(10)	(1,059)	(1,863)
Non-interest expense	(209)	(2,107)	(8,081)	(475)	(2,354)	(13,226)
Profit/(loss) before corporate income tax expense	263	4,634	1,551	10,123	(9,144)	7,427
Corporate income tax expense	—	—	—	—	(931)	(931)
Profit/(loss) for the period	263	4,634	1,551	10,123	(10,075)	6,496

27. Fair values of financial instruments**Accounting classification and fair values**

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

	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities for which fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	–	405,870	405,870	405,870	–
Amounts due from financial institutions	–	47,653	47,653	47,653	–
Trading securities	7,192	–	7,192	7,192	–
Loans to customers	–	797,197	797,197	800,859	3,662
Investment securities at FVOCI	431,604	–	431,604	431,604	–
Investment securities at amortised cost	–	283,170	283,170	292,840	9,670
Other financial assets	–	28,781	28,781	28,781	–
	438,796	1,562,671	2,001,467	2,014,799	13,332
Current accounts and deposits of customers	–	1,463,405	1,463,405	1,467,261	(3,856)
Amounts due to banks and other financial institutions	–	111,444	111,444	106,726	4,718
Amounts payable under repurchase agreements	–	53,037	53,037	53,037	–
Debt securities issued	–	236,023	236,023	265,719	(29,696)
Subordinated debt	–	26,424	26,424	26,354	70
Other financial liabilities	–	10,062	10,062	10,057	5
	–	1,900,395	1,900,395	1,929,154	(28,759)
					(15,427)

*(millions of tenge)***27. Fair values of financial instruments (continued)****Accounting classification and fair values (continued)**

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

<i>31 December 2019</i>					
	<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities whose fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair values</i>	<i>Unrecognised gain/(loss)</i>
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 at FVOCI	458,424	—	458,424	458,424	—
Investment securities 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

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, 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 quotes 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 organised 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.

*(millions of tenge)***27. Fair values of financial instruments (continued)****Accounting classification and fair values (continued)***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 carried 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 a discount rate in the range from 5.28% p.a. to 13.71% p.a. (as at 31 December 2019: 3.69% p.a. to 13.96% p.a.) was used;
- To calculate the future cash flows from loans to individuals a discount rate in the range from 2.38% p.a. to 22.92% p.a. (as at 31 December 2019: 3.76% p.a. to 22.85% p.a.) 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.

The following table analyses financial instruments carried at fair value as at 31 March 2020, by fair value hierarchy, into which the fair value measurement is categorised: the amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

	<i>Notes</i>	<i>31 March 2020 (unaudited)</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	13	5,842	–	1,350	7,192
Investment securities at FVOCI	15	313,825	117,779	–	431,604
		<u>319,667</u>	<u>117,779</u>	<u>1,350</u>	<u>438,796</u>

The following table analyses financial instruments carried at fair value as at 31 December 2019, by fair value hierarchy, into which the fair value measurement is categorised: The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

	<i>Notes</i>	<i>31 December 2019</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	13	5,102	–	1,350	6,452
Investment securities at FVOCI	15	357,675	100,749	–	458,424
		<u>362,777</u>	<u>100,749</u>	<u>1,350</u>	<u>464,876</u>

*(millions of tenge)***27. Fair values of financial instruments (continued)****Fair value hierarchy (continued)**

The following table analyses financial instruments not measured at fair value but for which fair value is disclosed as at 31 March 2020 by fair value hierarchy:

	<i>31 March 2020</i> <i>(unaudited)</i>			<i>Total</i>	<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>fair value</i>	<i>carrying value</i>
Assets					
Cash and cash equivalents	—	405,870	—	405,870	405,870
Amounts due from financial institutions	—	47,653	—	47,653	47,653
Loans to customers	—	—	800,859	800,859	797,197
Investment securities at amortised cost	24,624	268,216	—	292,840	283,170
Other financial assets	—	28,781	—	28,781	28,781
Liabilities					
Current accounts and deposits of customers	—	1,467,261	—	1,467,261	1,463,405
Amounts due to banks and other financial institutions	—	106,726	—	106,726	111,444
Amounts payable under repurchase agreements	—	53,037	—	53,037	53,037
Debt securities issued	—	265,719	—	265,719	236,023
Subordinated debt	—	26,354	—	26,354	26,424
Other financial liabilities	—	10,057	—	10,057	10,062

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:

	<i>31 December 2019</i>			<i>Total</i>	<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>fair value</i>	<i>carrying value</i>
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 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

*(millions of tenge)***28. Events after the end of the interim period**

On 27 April 2020, the Bank redeemed subordinated bonds for the total amount of KZT 2,289 million.

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

On 26 May 2020, the Bank redeemed loans received from EBRD on 15 November 2016 for the total amount of KZT 1,037 million.