

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

*30 September 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 30 September 2020, the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-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 of ForteBank JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

*Ernst & Young LLP*



Olga Khegay  
Auditor

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

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26 November 2020



Rustamzhan Sattarov  
General Director  
Ernst & Young LLP

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 30 September 2020

(millions of tenge)

Note	For the three months ended 30 September		For the nine months ended 30 September		
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)	
Interest income calculated using effective interest rate	5	47,318	43,248	136,883	117,562
Other interest income	5	72	67	214	236
Interest expense	5	(23,034)	(21,702)	(67,008)	(62,642)
<b>Net interest income</b>		<b>24,356</b>	<b>21,613</b>	<b>70,089</b>	<b>55,156</b>
Fee and commission income	6	9,245	9,029	25,174	22,993
Fee and commission expense	6	(3,689)	(3,122)	(10,228)	(7,494)
Net losses from financial instruments at fair value through profit or loss		(88)	(835)	(336)	(2,798)
Net (losses)/gains on derecognition of investment securities at fair value through other comprehensive income		(2)	717	21	664
Net gains on initial recognition of financial assets measured at amortised cost		–	7,053	–	7,053
Net gains from foreign currencies	7	2,803	1,564	9,151	6,488
Net gains on derecognition of financial liabilities as a result of modification	19	–	–	17,956	–
Other income		1,303	1,763	3,572	3,396
<b>Non-interest income</b>		<b>9,572</b>	<b>16,169</b>	<b>45,310</b>	<b>30,302</b>
Credit loss expense	8	(7,473)	(5,325)	(25,797)	(11,365)
General and administrative expenses	9	(10,967)	(11,320)	(33,160)	(30,608)
Other expenses		(1,133)	(2,451)	(7,260)	(6,852)
<b>Non-interest expenses</b>		<b>(19,573)</b>	<b>(19,096)</b>	<b>(66,217)</b>	<b>(48,825)</b>
<b>Profit before corporate income tax expense</b>		<b>14,355</b>	<b>18,686</b>	<b>49,182</b>	<b>36,633</b>
Corporate income tax expense	10	(505)	(487)	(4,285)	(2,389)
<b>Profit for the period</b>		<b>13,850</b>	<b>18,199</b>	<b>44,897</b>	<b>34,244</b>
<b>Attributable to:</b>					
- Shareholders of the Bank		13,850	18,204	44,897	34,244
- Non-controlling interests		–	(5)	–	–
		<b>13,850</b>	<b>18,199</b>	<b>44,897</b>	<b>34,244</b>
<b>Other comprehensive income</b>					
<i>Other comprehensive income/ (loss) that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of debt instruments at fair value through other comprehensive income		2,287	(743)	395	4,600
Income tax relating to components of other comprehensive income		23	–	116	(323)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		181	150	310	(258)
Reclassification of cumulative loss/(gain) on derecognition of debt instruments at fair value through other comprehensive income to profit or loss		2	(717)	(21)	(664)
<b>Other comprehensive income/ (loss) for the period, net of tax</b>		<b>2,493</b>	<b>(1,310)</b>	<b>800</b>	<b>3,355</b>
<b>Total comprehensive income for the period</b>		<b>16,343</b>	<b>16,889</b>	<b>45,697</b>	<b>37,599</b>
<b>Attributable to:</b>					
- Shareholders of the Bank		16,343	16,894	45,697	37,599
- Non-controlling interests		–	(5)	–	–
		<b>16,343</b>	<b>16,889</b>	<b>45,697</b>	<b>37,599</b>
Basic and diluted earnings per common share (in tenge)	23	0.16	0.20	0.50	0.38

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

Guram Andronikashvili  
Chairman of the Management Board

26 November 2020

Stanislav Levin  
Chief Accountant – Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

*(millions of tenge)*

	<i>Notes</i>	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
<b>Assets</b>			
Cash and cash equivalents	11	350,612	347,242
Amounts due from financial institutions	12	70,867	28,205
Trading securities	13	7,004	6,452
Loans to customers	14	777,558	785,068
Assets of the disposal group held for sale	17	50,227	–
Investment securities	15	793,911	719,466
Property and equipment		67,044	70,655
Intangible assets		10,554	9,839
Other assets	16	95,395	103,043
Total assets		<u>2,223,172</u>	<u>2,069,970</u>
<b>Liabilities</b>			
Current accounts and deposits of customers	18	1,448,687	1,336,949
Amounts due to banks and other financial institutions	19	151,034	117,806
Amounts payable under repurchase agreements		–	116,741
Debt securities issued	20	243,422	229,263
Liabilities of the disposal group held for sale	17	87,690	–
Deferred income tax liabilities	10	4,040	1,621
Subordinated debt	21	20,788	25,951
Other liabilities		14,794	12,687
Total liabilities		<u>1,970,455</u>	<u>1,841,018</u>
<b>Equity</b>			
Share capital	22	332,815	332,815
Additional paid-in capital		21,109	21,109
Treasury shares	22	(5,260)	(4,438)
Fair value reserve		6,658	5,858
Accumulated losses		(102,605)	(126,392)
Total equity attributable to shareholders of the Bank		<u>252,717</u>	<u>228,952</u>
Non-controlling interests		–	–
Total equity		<u>252,717</u>	<u>228,952</u>
Total equity and liabilities		<u>2,223,172</u>	<u>2,069,970</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months ended 30 September 2020

*(millions of tenge)*

	Notes	For the nine months ended 30 September	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Interest received	5	111,057	105,641
Interest paid	5	(52,668)	(47,697)
Fees and commission received		25,047	22,673
Fees and commission paid		(10,228)	(7,494)
Net realized losses from financial instruments at fair value through profit or loss		(308)	(2,883)
Net realised gains from dealing in foreign currencies		9,701	7,804
Other operating expenses less other operating income paid		(779)	165
General and administrative expenses paid		(21,603)	(29,826)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		(38,902)	(7,605)
Trading securities		3	3,223
Loans to customers		3,178	(29,159)
Other assets		12,290	16,947
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		109,574	75,073
Amounts due to banks and other financial institutions		54,185	7,679
Amounts payable under repurchase agreements		(116,631)	12,042
Other liabilities		(4,001)	888
Net cash from operating activities before corporate income tax		79,915	127,471
Corporate income tax paid		(568)	(59)
Net cash from operating activities		79,347	127,412
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	30,163
Acquisition of non-controlling interests		-	(480)
Purchase of investment securities at fair value through other comprehensive income		(371,495)	(739,379)
Proceeds from sale of investment securities at fair value through other comprehensive income		881	109,271
Proceeds from redemption of investment securities at fair value through other comprehensive income		332,279	659,307
Purchase of investment securities at amortised cost		(4,763)	(70,000)
Purchase of property and equipment and intangible assets		(5,023)	(15,454)
Proceeds from sale of property and equipment and intangible assets		8	124
Net cash used in investing activities		(48,113)	(26,448)
Cash flows from financing activities			
Repurchase of treasury shares	22	(822)	(3,127)
Repayment of subordinated debt		(2,201)	-
Dividends paid to shareholders of the Bank	22	(21,110)	(11,376)
Repayment of lease liabilities		(473)	-
Proceeds from placement of debt securities issued		1,309	12,429
Repurchase of debt securities issued		(1,260)	-
Redemption of debt securities issued		(3,903)	(3,954)
Net cash used in financing activities		(28,460)	(6,028)
Net change in cash and cash equivalents		2,774	94,936
Effect of exchange rate changes on cash and cash equivalents			
		38,630	399
Effect of expected credit losses on cash and cash equivalents		(5)	(5)
Cash and cash equivalents classified as part of assets of the disposal group held for sale		(38,029)	-
Cash and cash equivalents, beginning		347,242	225,147
Cash and cash equivalents, ending		350,612	320,477
Non-monetary transactions			
Repossession of collateral on loans to customers	16	6,435	9,560

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2020

*(millions of tenge)*

	<i>Equity attributable to shareholders of the Bank</i>					<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>			
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952	–	228,952
Profit for the period (unaudited)	–	–	–	–	44,897	44,897	–	44,897
Other comprehensive income for the period (unaudited)	–	–	–	800	–	800	–	800
Total comprehensive income for the period (unaudited)	–	–	–	800	44,897	45,697	–	45,697
Repurchase of treasury shares <i>(Note 22)</i> (unaudited)	–	–	(822)	–	–	(822)	–	(822)
Dividends declared <i>(Note 22)</i> (unaudited)	–	–	–	–	(21,110)	(21,110)	–	(21,110)
At 30 September 2020 (unaudited)	332,815	21,109	(5,260)	6,658	(102,605)	252,717	–	252,717

*The accompanying explanatory notes on pages 6 to 54 are an integral part of these interim condensed consolidated financial statements.*



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Equity attributable to shareholders of the Bank</i>					<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>			
At 1 January 2019	332,815	21,116	(1,311)	2,359	(155,051)	199,928	711	200,639
Impact of adopting IFRS 16	–	–	–	–	(428)	(428)	–	(428)
Restated opening balance under IFRS 16	332,815	21,116	(1,311)	2,359	(155,479)	199,500	711	200,211
Profit for the period (unaudited)	–	–	–	–	34,244	34,244	–	34,244
Other comprehensive income for the period (unaudited)	–	–	–	3,355	–	3,355	–	3,355
Total comprehensive income for the reporting period (unaudited)	–	–	–	3,355	34,244	37,599	–	37,599
Repurchase of treasury shares ( <i>Note 22</i> ) (unaudited)	–	(7)	(3,127)	–	–	(3,134)	–	(3,134)
Acquisition of non-controlling interests (unaudited)	–	–	–	–	228	228	(711)	(483)
Acquisition of subsidiaries ( <i>Note 4</i> ) (unaudited)	–	–	–	–	(1,998)	(1,998)	–	(1,998)
Dividends declared ( <i>Note 22</i> ) (unaudited)	–	–	–	–	(11,376)	(11,376)	–	(11,376)
At 30 September 2019 (unaudited)	332,815	21,109	(4,438)	5,714	(134,381)	220,819	–	220,819

The accompanying explanatory notes on pages 6 to 54 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 Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan (hereinafter, the "AFM"). The Bank operates under license No. 1.2.29/197/36 for conducting banking and other activities and operations on securities market stipulated by the banking legislation, issued by the AFM on 3 February 2020, which replaces previous licenses.

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

The Bank is a participant of the Kazakhstan Deposit Insurance Fund (hereinafter, the "KDIF"). The primary objective of the KDIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 30 September 2020 and 31 December 2019, depositors can receive limited insurance coverage for deposits, depending on the currency and type of the deposit: in tenge – up to KZT 10 million, in foreign currencies – up to KZT 5 million, savings deposits in tenge – up to KZT 15 million.

As at 30 September 2020 and 31 December 2019, the Group includes the following subsidiaries of the Bank:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership, %</i>	
			<i>30 September 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
Kassa Nova Bank JSC	Republic of Kazakhstan	Banking operations	100.0	100.0
ONE Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	100.0	–

In 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.

On 29 July 2020 the Bank signed an agreement on sale of 100% common shares in Bank Kassa Nova JSC, the subsidiary of the Bank, to the investment company FREEDOM FINANCE JSC. The transaction is planned to be closed by the end of 2020 after receiving the approval of the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan and other necessary permits.

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

### Shareholders

As at 30 September 2020, Mr. B.Zh. Utemuratov is beneficial owner of 90.60% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (31 December 2019: 90.10%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

(millions of tenge)

## 1. General information (continued)

### Shareholders (continued)

On 18 March 2019, Mr. Utemuratov B.Zh. entered into the trust management agreement with Nova Leasing JSC to manage 54% of 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 nine months ended 30 September 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.

### 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 Kazakhstan 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 of 1 January 2020. The nature and the effect of these changes are disclosed below.

#### *Amendments to IFRS 16: Covid-19-Related Rent Concessions*

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

#### *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 be 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 have no significant impact on the Group's interim condensed consolidated financial statements.

(millions of tenge)

## 2. Basis of preparation (continued)

Changes in accounting policies (continued)

### *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 reform 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 have no significant impact on the Group's interim condensed 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.

### *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 condition.

### Expected credit losses on financial assets

In 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 the tenge against major foreign currencies, high volatility in the foreign exchange market.

The above changes in the economic environment have an 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.

*(millions of tenge)*

### 3. Significant accounting judgments and estimates (continued)

Expected credit losses on financial assets (continued)

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 30 September 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.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. central banks, and international financial institutions). Below are the main projections used in assessing the ECL allowance on the loan portfolio as at 30 September 2020:

<i>Key factors</i>	<i>2020</i>
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 amount of ECL allowance for loans to customers recognized in the interim condensed consolidated statement of financial position as at 30 September 2020 was KZT 91,955 million (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 30 September 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 30 September 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.

*(millions of tenge)*

#### 4. Business combination

##### Acquisition of Kassa Nova Bank JSC

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

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

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

	<i>29 April 2019 (unaudited)</i>
<b>Assets</b>	
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
<b>Total assets</b>	<b>130,364</b>
<b>Liabilities</b>	
Current accounts and deposits of customers	94,093
Amounts due to banks and other financial institutions	16,268
Deferred tax liabilities	917
Subordinated debt	3,277
Other liabilities	1,683
<b>Total liabilities</b>	<b>116,238</b>
<b>Net assets acquired</b>	<b>14,126</b>
Purchase consideration transferred	<u>(11,277)</u>
Gain on acquisition of a subsidiary recognised in equity	<u>2,849</u>

If the combination had taken place at the beginning of 2019, the profit of the Group for the nine months ended 30 September 2019 would have been KZT 35,001 million, net interest income would have been KZT 56,843 million, and non-interest income would have been KZT 31,259 million.

##### Acquisition of ONE Technologies LLP

On 23 April 2019, the Bank 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. B.Zh. Utemuratov, 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 ONE Technologies LLP (continued)

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	<u>1,226</u>
Other liabilities	173
Total liabilities	<u>173</u>
Net acquired assets	1,053
Purchase consideration transferred	(5,900)
Loss on acquisition of subsidiary recognised in equity	<u>(4,847)</u>

If the combination had taken place at the beginning of 2019, profit before tax of the Group for the nine-month period ended 30 September 2019, would have been KZT 36,542 million.

## 5. Net interest income

Interest income and expense comprise the following:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Interest income calculated using effective interest rate				
Loans to customers	32,321	31,819	95,169	83,018
Debt investment securities at FVOCI	9,941	6,563	26,651	18,204
Investment securities measured at amortised cost	4,220	3,786	12,609	11,324
Amounts due from financial institutions	492	892	1,670	3,796
Amounts receivable under reverse repurchase agreements	344	188	784	1,220
	<u>47,318</u>	<u>43,248</u>	<u>136,883</u>	<u>117,562</u>
Other interest income				
Trading securities	72	67	214	236
	<u>47,390</u>	<u>43,315</u>	<u>137,097</u>	<u>117,798</u>
Interest expense				
Current accounts and deposits of customers	(13,027)	(12,330)	(37,999)	(34,835)
Debt securities issued	(7,108)	(7,805)	(20,903)	(23,022)
Amounts due to banks and other financial institutions	(2,209)	(730)	(5,238)	(2,421)
Subordinated debt	(499)	(540)	(1,545)	(1,494)
Amounts payable under repurchase agreements	(191)	(297)	(1,323)	(870)
	<u>(23,034)</u>	<u>(21,702)</u>	<u>(67,008)</u>	<u>(62,642)</u>
Net interest income	<u>24,356</u>	<u>21,613</u>	<u>70,089</u>	<u>55,156</u>

Interest income calculated using the effective interest rate for the nine months ended 30 September 2020 include interest income at a nominal interest rate for the amount of KZT 9,987 million accrued on impaired loans to customers, also interest income amounted to KZT 5,228 million representing the amortization of the discount on loans to customers (for the nine months ended 30 September 2019: KZT 7,624 million and KZT 2,377 million, respectively).

*(millions of tenge)*

## 5. Net interest income (continued)

Interest income received comprise the following:

	<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Interest income received		
Loans to customers	74,325	74,487
Debt investment securities at FVOCI	22,937	18,037
Investment securities measured at amortised cost	10,818	7,826
Amounts due from financial institutions	1,922	3,902
Amounts receivable under reverse repurchase agreements	784	1,220
Trading securities	271	169
	<u>111,057</u>	<u>105,641</u>

Interest expense paid comprise the following:

	<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Interest expenses paid		
Current accounts and deposits of customers	(39,000)	(35,503)
Debt securities issued	(6,694)	(8,050)
Amounts due to banks and other financial institutions	(4,352)	(2,202)
Subordinated debt	(1,189)	(1,088)
Amounts payable under repurchase agreements	(1,433)	(854)
	<u>(52,668)</u>	<u>(47,697)</u>

## 6. Fee and commission income and expense

Fee and commission income comprises the following:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Card operations	4,971	5,214	13,449	13,136
Settlement transactions	2,334	1,746	6,190	4,675
Cash operations	1,135	1,184	3,032	2,802
Guarantees and letters of credits	398	548	1,359	1,399
Foreign currency transactions and transactions with securities	103	75	326	228
Other	304	262	818	753
	<u>9,245</u>	<u>9,029</u>	<u>25,174</u>	<u>22,993</u>

Fee and commission expense comprises the following:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Maintenance of card accounts	(2,765)	(2,722)	(8,632)	(6,173)
Maintenance of nostro accounts	(102)	–	(281)	–
Settlement transactions	(90)	(76)	(221)	(203)
Customer accounts services by financial agents	(31)	(61)	(95)	(191)
Foreign currency transactions and transactions with securities	(29)	(23)	(62)	(68)
Other	(672)	(240)	(937)	(859)
	<u>(3,689)</u>	<u>(3,122)</u>	<u>(10,228)</u>	<u>(7,494)</u>



*(millions of tenge)*

## 7. Net gains from foreign currencies

Net gains from foreign currencies comprise:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Translation differences, net	(2)	(1,157)	(549)	(1,316)
Dealing transactions, net	2,805	2,721	9,700	7,804
	<u>2,803</u>	<u>1,564</u>	<u>9,151</u>	<u>6,488</u>

## 8. Credit loss expense

Credit loss expense for the three and nine months ended 30 September 2020 and 2019 are presented as follows:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Cash and cash equivalents	–	(5)	(5)	(5)
Amounts due from financial institutions	26	69	(70)	55
Loans to customers <i>(Note 14)</i>	(7,477)	(4,862)	(25,396)	(11,275)
Investment securities at amortised cost	143	(184)	(67)	(139)
Investment securities at FVOCI	(181)	(93)	(310)	258
Other financial assets	30	(177)	184	(286)
Financial guarantees, letters of credit and loan commitment	(14)	(73)	(133)	27
	<u>(7,473)</u>	<u>(5,325)</u>	<u>(25,797)</u>	<u>(11,365)</u>

## 9. General and administrative expenses

General and administrative expenses comprise the following:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Personnel expenses and related taxes	(5,917)	(6,516)	(18,166)	(17,608)
Depreciation and amortisation	(1,935)	(1,521)	(5,498)	(4,114)
Taxes, other than corporate income tax	(700)	(860)	(1,873)	(2,043)
Repair and maintenance	(786)	(446)	(1,899)	(1,353)
Maintenance of buildings	(314)	(339)	(1,088)	(1,096)
Advertising and marketing	(103)	(390)	(776)	(1,248)
Security	(222)	(234)	(685)	(689)
Telecommunication and information services	(195)	(209)	(546)	(583)
Rent	(92)	(127)	(306)	(389)
Transportation	(100)	(82)	(298)	(255)
Encashment	(97)	(115)	(281)	(317)
Other professional services	(76)	(211)	(151)	(378)
Business trips	–	(86)	(89)	(234)
Other	(430)	(184)	(1,504)	(301)
	<u>(10,967)</u>	<u>(11,320)</u>	<u>(33,160)</u>	<u>(30,608)</u>

*(millions of tenge)*

## 9. General and administrative expenses (continued)

General and administrative expenses are presented as follows:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Sales and marketing	(5,330)	(6,457)	(14,509)	(16,496)
Technology and new product development	(1,382)	(511)	(3,355)	(1,522)
Other	(4,255)	(4,352)	(15,296)	(12,590)
	<u>(10,967)</u>	<u>(11,320)</u>	<u>(33,160)</u>	<u>(30,608)</u>

## 10. Corporate income tax expense

Corporate income tax expense comprise the following:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Current corporate income tax charge	–	(490)	(668)	(519)
Deferred corporate income tax benefit/(charge) – origination and reversal of temporary differences	(505)	3	(3,617)	(1,870)
	<u>(505)</u>	<u>(487)</u>	<u>(4,285)</u>	<u>(2,389)</u>

As at 30 September 2020, deferred corporate income tax liabilities comprised KZT 4,040 million (31 December 2019: KZT 1,621 million).

## 11. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Cash on hand	76,826	61,370
Cash on current accounts with the NBRK rated BBB-	34,639	35,762
Cash on current accounts with other banks:		
- Rated from AA- to AA+	72	–
- Rated from A- to A+	46,936	32,573
- Rated from BBB- to BBB+	1,399	6,888
- Rated from BB- to BB+	1,596	1,831
- Rated below B+	89	203
- Not rated	8	543
Term deposits with the NBRK with contractual maturity of 90 days or less rated BBB-	138,880	152,640
Amounts receivable under reverse repurchase agreements	50,168	55,440
Cash and cash equivalents before ECL allowance	<u>350,613</u>	<u>347,250</u>
ECL allowance	(1)	(8)
Cash and cash equivalents	<u>350,612</u>	<u>347,242</u>

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

As at 30 September 2020 and 31 December 2019, all balances of cash equivalents are allocated to Stage 1 for ECL measurement purposes.

As at 30 September 2020, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements is the Ministry of Finance of the Republic of Kazakhstan bonds with total fair value of KZT 51,535 million as at 30 September 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 accounts with the NBRK) equal or in excess of the average minimum requirements. As at 30 September 2020, minimum reserve requirements of the Group amount to KZT 30,338 million (31 December 2019: KZT 27,712 million), minimum reserve requirements of the Bank amount to KZT 28,938 million (31 December 2019: 25,753 KZT million).

## Concentration of cash and cash equivalents

As at 30 September 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 counterparty as at 30 September 2020 amounts to KZT 173,519 million (31 December 2019: KZT 188,402 million).

**12. Amounts due from financial institutions**

Amounts due from financial institutions comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts with the NBRK rated BBB- restricted in use	36,192	8,221
Deposits with other banks:		
- Rated below B+	-	3,209
- Not rated	626	622
Contingent deposits and deposits pledged as a collateral:		
- Rated AAA	26,275	-
- Rated from AA- to AA+	22	150
- Rated from A- to A+	5,547	5,185
- Rated from BBB- to BBB+	-	3,147
- Not rated	3,040	8,368
Amounts due from financial institutions before allowance for ECL	<u>71,702</u>	<u>28,902</u>
ECL allowance	(835)	(697)
Amounts due from financial institutions	<u>70,867</u>	<u>28,205</u>

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of other 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 businesses. As of 30 September 2020 these funds include amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 30 September 2020 was KZT 25,151 million, the accrual and payment of interest are not provided until the moment these funds are utilized by the Bank (*Note 19*).

As at 30 September 2020 and 31 December 2019, all balances of amounts due from financial institutions are allocated to Stage 1 for ECL measurement purposes.

As at 30 September 2020 contingent deposits and deposits pledged as collateral include contingent deposits restricted for use on transactions with providers of payment operation services in the amount of KZT 7,435 million (as at 31 December 2019: KZT 6,987 million).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), during the nine-month period ended 30 September 2020, the Bank placed escrow deposits with EBRD totalling USD 66 million (equivalent in tenge – 24,888 million) for a period until 2023. As at 30 September 2020, the carrying amount of escrow deposits was KZT 26,274 million.

*(millions of tenge)*

## 12. Amounts due from financial institutions (continued)

Concentration of amounts due from financial institutions

As at 30 September 2020, the Group has amounts due from two financial institutions (31 December 2019: five), which balances individually exceed 10% of total amounts due from financial institutions. As at 30 September 2020, the total value of these amounts is KZT 62,467 million (31 December 2019: KZT 25,693 million).

## 13. Trading securities

Trading securities comprise the following:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Bonds of banks		
- rated from BB- to BB+	5,566	5,012
Total bonds of banks	5,566	5,012
Equity instruments	1,438	1,440
Trading securities	7,004	6,452

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

## 14. Loans to customers

Loans to customers comprise:

	<i>30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	207,084	14,052	41,319	–	262,455
Total individually significant loans	207,084	14,052	41,319	–	262,455
Individually insignificant					
Corporate loans	123,261	3,288	28,579	45	155,173
Mortgage loans	28,719	810	25,387	8,034	62,950
Consumer loans	174,271	7,848	15,697	1	197,817
Car loans	4,427	18	529	–	4,974
Credit cards	4,341	247	999	–	5,587
Other loans secured by collateral	94,024	7,177	67,727	11,629	180,557
Total individually insignificant loans	429,043	19,388	138,918	19,709	607,058
Loans to customers before ECL allowance	636,127	33,440	180,237	19,709	869,513
ECL allowance	(9,337)	(5,799)	(79,123)	2,304	(91,955)
Loans to customers	626,790	27,641	101,114	22,013	777,558
	<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					
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 30 September 2020 is presented in the table below:

<i>Individually significant loans</i>	<i>30 September 2020 (unaudited)</i>			<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>	
Stage 1 loans				
- Not overdue	194,105	(2,183)	191,922	1.12
- Overdue for less than 30 days	12,979	-	12,979	0.00
Stage 2 and 3 loans				
- Not overdue	21,531	(340)	21,191	1.58
- Overdue for less than 90 days	2,794	(721)	2,073	25.81
- Overdue for 90 days to 360 days	3,827	(2,438)	1,389	63.71
- Overdue for more than 360 days	27,219	(21,467)	5,752	78.87
Total Stage 2 and 3 loans	55,371	(24,966)	30,405	45.09
Total individually significant loans	262,455	(27,149)	235,306	10.34

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

<i>Individually significant loans</i>	<i>31 December 2019</i>			<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>	
Stage 1 loans				
- Not overdue	188,466	(1,250)	187,216	0.66
- Overdue for 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 ECL allowances*

An analysis of changes in the ECL allowances in relation to individually significant loans during the three-month period ended 30 September 2020 is as follows:

<i>Individually significant loans</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(1,801)	(70)	(25,528)	–	(27,399)
New assets originated or purchased	(463)	(7)	–	–	(470)
Assets derecognised or repaid (excluding write-offs)	87	–	510	–	597
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	3	(3)	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(9)	(12)	(571)	–	(592)
Transfer between categories of loan significance	–	–	(422)	–	(422)
Unwinding of discount	–	–	(691)	–	(691)
Recoveries	–	–	(510)	–	(510)
Write-offs	–	–	2,949	–	2,949
Effect from changes in exchange rates	–	–	(611)	–	(611)
At 30 September 2020	(2,183)	(92)	(24,874)	–	(27,149)

An analysis of changes in the ECL allowances in relation to individually significant loans during the nine months ended 30 September 2020 is as follows:

<i>Individually significant loans</i>	<i>For the nine months ended 30 September 2020 (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	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(1,537)	(29)	–	–	(1,566)
Assets derecognised or repaid (excluding write-offs)	348	44	695	–	1,087
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	34	(34)	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	4	(14)	(160)	–	(170)
Transfer between categories of loan significance	–	–	(422)	–	(422)
Unwinding of discount	–	–	(2,114)	–	(2,114)
Recoveries	–	–	(671)	–	(671)
Write-offs	–	–	5,160	–	5,160
Effect from changes in exchange rates	224	(30)	(1,221)	–	(1,027)
At 30 September 2020	(2,183)	(92)	(24,874)	–	(27,149)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually significant loans (continued)

*Analysis of movements in allowance for ECL (continued)*

An analysis of changes in the ECL allowances in relation to individually significant loans during the three months ended 30 September 2019 is as follows:

<i>Individually significant loans</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(878)	–	(24,343)	–	(25,221)
New assets originated or purchased	(503)	–	–	–	(503)
Assets derecognised or repaid (excluding write-offs)	600	–	328	–	928
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
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	32	–	12	–	44
Transfer between categories of loan significance	–	–	428	–	428
Unwinding of discount	–	–	(777)	–	(777)
Recoveries	–	–	(212)	–	(212)
Write-offs	–	–	1,072	–	1,072
Effect from changes in exchange rates	–	–	(187)	–	(187)
At 30 September 2019	(748)	(1)	(23,679)	–	(24,428)

An analysis of changes in the ECL allowances in relation to individually significant loans during the nine months ended 30 September 2019 is as follows:

<i>Individually significant loans</i>	<i>For the nine-month period ended 30 September 2019 (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 2019	(1,635)	(558)	(26,963)	–	(29,156)
Acquisition of subsidiaries	–	–	(4)	–	(4)
New assets originated or purchased	(846)	–	(91)	–	(937)
Assets derecognised or repaid (excluding write-offs)	1,670	60	2,418	–	4,148
Transfers to Stage 1	(30)	30	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	582	(582)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	2	(114)	(2,341)	–	(2,453)
Transfer between categories of loan significance	(8)	–	299	–	291
Unwinding of discount	–	–	(2,022)	–	(2,022)
Recoveries	–	–	(2,012)	–	(2,012)
Write-offs	–	–	7,695	–	7,695
Effect from changes in exchange rates	98	–	(76)	–	22
At 30 September 2019	(748)	(1)	(23,679)	–	(24,428)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Information on the quality of individually insignificant loans as at 30 September 2020 is given in the table below:

<i>Individually insignificant corporate loans</i>	<i>30 September 2020 (unaudited)</i>			<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>	
Not overdue	125,939	(814)	125,125	0.65
Overdue for less than 30 days	5,627	(25)	5,602	0.44
Overdue for 30 to 89 days	2,196	(75)	2,121	3.42
Overdue for 90 to 179 days	1,403	(57)	1,346	4.06
Overdue for 180 to 360 days	994	(37)	957	3.72
Overdue more than 360 days	18,969	(7,620)	11,349	40.17
POCI	45	–	45	
Total individually insignificant corporate loans	155,173	(8,628)	146,545	5.56
Mortgage loans				
Not overdue	27,947	(153)	27,794	0.55
Overdue for less than 30 days	1,556	(19)	1,537	1.22
Overdue for 30 to 89 days	762	(68)	694	8.922
Overdue for 90 to 179 days	505	(37)	468	7.33
Overdue for 180 to 360 days	210	(33)	177	15.71
Overdue for more than 360 days	23,936	(11,584)	12,352	48.40
POCI	8,034	881	8,915	
Total mortgage loans	62,950	(11,013)	51,937	17.49
Consumer loans				
Not overdue	165,121	(4,152)	160,969	2.51
Overdue for less than 30 days	9,322	(1,986)	7,336	21.30
Overdue for 30 to 89 days	7,410	(5,157)	2,253	69.60
Overdue for 90 to 179 days	6,094	(4,970)	1,124	81.56
Overdue for 180 to 360 days	5,721	(4,580)	1,141	80.06
Overdue for more than 360 days	4,148	(3,302)	846	79.60
POCI	1	–	1	
Total consumer loans	197,817	(24,147)	173,670	12.21



*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	<i>30 September 2020 (unaudited)</i>			<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>	
Car loans				
Not overdue	4,402	(1)	4,401	0.02
Overdue for less than 30 days	28	–	28	0.00
Overdue for 30 to 89 days	19	–	19	0.00
Overdue for 90 to 179 days	–	–	–	–
Overdue for 180 to 360 days	4	–	4	0.00
Overdue for more than 360 days	521	(162)	359	31.09
Total car loans	4,974	(163)	4,811	3.28
Credit cards				
Not overdue	3,890	(488)	3,402	12.54
Overdue for less than 30 days	442	(213)	229	48.19
Overdue for 30 to 89 days	233	(217)	16	93.13
Overdue for 90 to 179 days	180	(150)	30	83.33
Overdue for 180 to 360 days	369	(306)	63	82.93
Overdue for more than 360 days	473	(380)	93	80.34
Total credit cards	5,587	(1,754)	3,833	31.39
Other loans secured by collateral				
Not overdue	88,962	(100)	88,862	0.11
Overdue for less than 30 days	8,289	(14)	8,275	0.17
Overdue for 30 to 89 days	7,954	(68)	7,886	0.85
Overdue for 90 to 179 days	6,248	(309)	5,939	4.95
Overdue for 180 to 360 days	2,751	(107)	2,644	3.89
Overdue for more than 360 days	54,725	(19,930)	34,795	36.42
POCI	11,628	1,427	13,055	
Total other loans secured by collateral	180,557	(19,101)	161,456	10.58
Total individually insignificant loans	607,058	(64,806)	542,252	10.68

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Information on the quality of individually insignificant 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 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

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2019			
	<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>
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

*Analysis of movements in ECL allowances*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three-months period ended 30 September 2020 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(552)	(12)	(8,259)	16	(8,807)
New assets originated or purchased	(70)	-	-	-	(70)
Assets derecognised or repaid (excluding write-offs)	104	18	402	-	524
Transfers to Stage 1	(4)	1	3	-	-
Transfers to Stage 2	12	(217)	205	-	-
Transfers to Stage 3	10	21	(31)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	201	171	(376)	(17)	(21)
Transfer between categories of loan significance	-	-	422	-	422
Unwinding of discount	-	-	(283)	-	(283)
Recoveries	-	-	(383)	-	(383)
Write-offs	-	-	706	1	707
Effect from changes in exchange rates	(37)	-	(682)	-	(719)
Assets of the disposal group held for sale	-	-	2	-	2
At 30 September 2020	(336)	(18)	(8,274)	-	(8,628)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the nine months ended 30 September 2020 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the nine months ended 30 September 2020 (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	(294)	(203)	(9,103)	16	(9,584)
New assets originated or purchased	(344)	(1)	–	–	(345)
Assets derecognised or repaid (excluding write-offs)	447	34	4,916	–	5,397
Transfers to Stage 1	(57)	54	3	–	–
Transfers to Stage 2	17	(222)	205	–	–
Transfers to Stage 3	10	234	(244)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(78)	110	(1,446)	(17)	(1,431)
Transfer between categories of loan significance	–	–	422	–	422
Unwinding of discount	–	–	(872)	–	(872)
Recoveries	–	–	(4,514)	–	(4,514)
Write-offs	–	–	3,822	1	3,823
Effect from changes in exchange rates	(37)	(24)	(1,465)	–	(1,526)
Assets of the disposal group held for sale	–	–	2	–	2
At 30 September 2020	(336)	(18)	(8,274)	–	(8,628)

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three months ended 30 September 2019 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(130)	(154)	(7,530)	17	(7,797)
New originated or purchased	(20)	–	–	–	(20)
Assets derecognised or repaid (excluding write-offs)	64	37	613	–	714
Transfers to Stage 1	(3)	3	–	–	–
Transfers to Stage 2	11	(11)	–	–	–
Transfers to Stage 3	7	119	(126)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(8)	(26)	(760)	(3)	(797)
Transfer between categories of loan significance	–	–	(428)	–	(428)
Unwinding of discount	–	–	(233)	–	(233)
Recoveries	–	–	(606)	–	(606)
Write-offs	–	–	738	–	738
Effect from changes in exchange rates	1	(1)	–	–	–
At 30 September 2019	(78)	(33)	(8,332)	14	(8,429)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the nine months ended 30 September 2019 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the nine months ended 30 September 2019 (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 2019	–	(30)	(5,881)	13	(5,898)
Acquisition of subsidiaries	(6)	(4)	(1,123)	–	(1,133)
New assets originated or purchased	(117)	–	–	–	(117)
Assets derecognised or repaid (excluding write-offs)	436	154	3,015	4	3,609
Transfers to Stage 1	(73)	70	3	–	–
Transfers to Stage 2	20	(30)	10	–	–
Transfers to Stage 3	40	120	(160)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(387)	(312)	(2,513)	(3)	(3,215)
Transfer between categories of loan significance	8	–	(299)	–	(291)
Unwinding of discount	–	–	(660)	–	(660)
Recoveries	–	–	(3,013)	–	(3,013)
Write-offs	–	–	2,232	–	2,232
Effect from changes in exchange rates	1	(1)	57	–	57
At 30 September 2019	(78)	(33)	(8,332)	14	(8,429)

An analysis of changes in the ECL allowances in relation to mortgage loans for the three months ended 30 September 2020 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(92)	(21)	(10,645)	730	(10,028)
New assets originated or purchased	(4)	–	–	–	(4)
Assets derecognised or repaid (excluding write-offs)	–	–	351	–	351
Transfers to Stage 1	(24)	3	21	–	–
Transfers to Stage 2	–	(2)	2	–	–
Transfers to Stage 3	–	9	(9)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	33	4	(794)	(278)	(1,035)
Unwinding of discount	–	–	(481)	–	(481)
Recoveries	–	–	(332)	–	(332)
Write-offs	–	–	805	429	1,234
Effect from changes in exchange rates	–	–	(718)	–	(718)
At 30 September 2020	(87)	(7)	(11,800)	881	(11,013)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowance (continued)*

An analysis of changes in the ECL allowances in relation to mortgage loans for the nine months ended 30 September 2020 is as follows:

<i>Mortgage loans</i>	<i>For the nine months ended 30 September 2020 (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	(81)	(10)	(9,656)	1,112	(8,635)
New assets originated or purchased	(16)	-	-	-	(16)
Assets derecognised or repaid (excluding write-offs)	44	-	821	-	865
Transfers to Stage 1	(35)	14	21	-	-
Transfers to Stage 2	10	(15)	5	-	-
Transfers to Stage 3	-	16	(16)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(9)	(36)	(4,212)	(660)	(4,917)
Unwinding of discount	-	-	(1,313)	-	(1,313)
Recoveries	-	-	(782)	-	(782)
Write-offs	-	-	4,287	429	4,716
Effect from changes in exchange rates	-	24	(955)	-	(931)
At 30 September 2020	(87)	(7)	(11,800)	881	(11,013)

An analysis of changes in the ECL allowances in relation to mortgage loans for the three months ended 30 September 2019 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(89)	(14)	(9,223)	1,659	(7,667)
New assets originated or purchased	(5)	-	-	-	(5)
Assets derecognised or repaid (excluding write-offs)	89	5	672	-	766
Transfers to Stage 1	(30)	9	21	-	-
Transfers to Stage 2	-	(7)	7	-	-
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	26	1	(1,167)	(109)	(1,249)
Unwinding of discount	-	-	(364)	-	(364)
Recoveries	-	-	(672)	-	(672)
Write-offs	-	-	1,091	20	1,111
At 30 September 2019	(9)	(6)	(9,635)	1,570	(8,080)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to mortgage loans for the nine months ended 30 September 2019 is as follows:

<i>Mortgage loans</i>	<i>For the nine months ended 30 September 2019 (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 2019	(92)	(22)	(10,087)	108	(10,093)
Acquisition of subsidiaries	–	–	(68)	–	(68)
New assets originated or purchased	(18)	–	–	–	(18)
Assets derecognised or repaid (excluding write-offs)	170	24	3,985	410	4,589
Transfers to Stage 1	(52)	30	22	–	–
Transfers to Stage 2	4	(13)	9	–	–
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	(21)	(37)	(4,793)	1,299	(3,552)
Unwinding of discount	–	–	(1,008)	–	(1,008)
Recoveries	–	–	(3,983)	(270)	(4,253)
Write-offs	–	–	6,300	23	6,323
At 30 September 2019	(9)	(6)	(9,635)	1,570	(8,080)

An analysis of changes in the ECL allowances in relation to consumer loans for the three months ended 30 September 2020 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(10,138)	(1,767)	(8,385)	–	(20,290)
New assets originated or purchased	(778)	–	–	–	(778)
Assets derecognised or repaid (excluding write-offs)	218	60	92	–	370
Transfers to Stage 1	(737)	470	267	–	–
Transfers to Stage 2	647	(710)	63	–	–
Transfers to Stage 3	890	1,097	(1,987)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	3,933	(4,532)	(2,908)	–	(3,507)
Changes in contractual cash flows due to a modification that does not lead to derecognition	–	–	–	–	–
Unwinding of discount	–	–	(939)	–	(939)
Recoveries	–	–	(13)	–	(13)
Write-offs	–	–	1,014	–	1,014
Effect from changes in exchange rates	–	1	(5)	–	(4)
At 30 September 2020	(5,965)	(5,381)	(12,801)	–	(24,147)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to consumer loans for the nine months ended 30 September 2020 is as follows:

<i>Consumer loans</i>	<i>For the nine months ended 30 September 2020 (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	(2,028)	–	–	–	(2,028)
Assets derecognised or repaid (excluding write-offs)	536	94	238	–	868
Transfers to Stage 1	(2,384)	1,859	525	–	–
Transfers to Stage 2	892	(1,015)	123	–	–
Transfers to Stage 3	1,152	3,174	(4,326)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(127)	(7,890)	(5,593)	–	(13,610)
Changes in contractual cash flows due to a modification that does not lead to derecognition	–	–	1	–	1
Unwinding of discount	–	–	(2,006)	–	(2,006)
Recoveries	–	–	(36)	–	(36)
Write-offs	–	–	2,588	–	2,588
Effect from changes in exchange rates	–	–	(8)	–	(8)
At 30 September 2020	(5,965)	(5,381)	(12,801)	–	(24,147)

An analysis of changes in the ECL allowances in relation to consumer loans for the three months ended 30 September 2019 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(3,472)	(1,122)	(7,668)	–	(12,262)
New assets originated or purchased	(843)	–	–	–	(843)
Assets derecognised or repaid (excluding write-offs)	138	1	400	–	539
Transfers to Stage 1	(320)	291	29	–	–
Transfers to Stage 2	175	(216)	41	–	–
Transfers to Stage 3	103	729	(832)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	140	(1,226)	(924)	–	(2,010)
Unwinding of discount	–	–	(755)	–	(755)
Recoveries	–	–	(192)	–	(192)
Write-offs	–	–	724	–	724
At 30 September 2019	(4,079)	(1,543)	(9,177)	–	(14,799)



*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to consumer loans for the nine months ended 30 September 2019 is as follows:

<i>Consumer loans</i>	<i>For the nine months ended 30 September 2019 (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 2019	(2,074)	(688)	(7,667)	–	(10,429)
Acquisition of subsidiaries	(266)	(60)	(227)	–	(553)
New assets originated or purchased	(2,080)	(2)	(3)	–	(2,085)
Assets derecognised or repaid (excluding write-offs)	1,548	300	985	–	2,833
Transfers to Stage 1	(1,038)	732	306	–	–
Transfers to Stage 2	387	(481)	94	–	–
Transfers to Stage 3	231	1,858	(2,089)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(787)	(3,202)	(4,014)	–	(8,003)
Unwinding of discount	–	–	(1,869)	–	(1,869)
Recoveries	–	–	(549)	–	(549)
Write-offs	–	–	5,856	–	5,856
At 30 September 2019	(4,079)	(1,543)	(9,177)	–	(14,799)

An analysis of changes in the ECL allowances in relation to car loans for the three months ended 30 September 2020 is as follows:

<i>Car loans</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(5)	–	(130)	–	(135)
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	3	–	37	–	40
Impact on period end ECL of changes to inputs used for ECL calculations during the period	3	–	(25)	–	(22)
Unwinding of discount	–	–	(6)	–	(6)
Recoveries	–	–	(41)	–	(41)
Write-offs	–	–	8	–	8
Effect from changes in exchange rates	–	–	(6)	–	(6)
At 30 September 2020	–	–	(163)	–	(163)

An analysis of changes in the ECL allowances in relation to car loans for the nine months ended 30 September 2020 is as follows:

<i>Car loans</i>	<i>For the nine months ended 30 September 2020 (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)
New assets originated or purchased	(6)	–	–	–	(6)
Assets derecognised or repaid (excluding write-offs)	3	–	86	–	89
Impact on period end ECL of changes to inputs used for ECL calculations during the period	3	–	(125)	–	(122)
Unwinding of discount	–	–	(16)	–	(16)
Recoveries	–	–	(90)	–	(90)
Write-offs	–	–	73	–	73
Effect from changes in exchange rates	–	–	–	–	–
At 30 September 2020	–	–	(163)	–	(163)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to car loans for the three months ended 30 September 2019 is as follows:

<i>Car loans</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	–	–	(231)	–	(231)
New assets originated or purchased	–	–	–	–	–
Assets derecognised or repaid (excluding write-offs)	–	–	43	–	43
Impact on period end ECL of changes to inputs used for ECL calculations during the period	–	–	(200)	–	(200)
Unwinding of discount	–	–	(13)	–	(13)
Recoveries	–	–	(53)	–	(53)
Write-offs	–	–	153	–	153
At 30 September 2019	–	–	(301)	–	(301)

An analysis of changes in the ECL allowances in relation to car loans for the nine months ended 30 September 2019 is as follows:

<i>Car loans</i>	<i>For the nine months ended 30 September 2019 (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 2019	–	–	(483)	–	(483)
Acquisition of subsidiaries	–	–	–	–	–
New assets originated or purchased	(1)	–	–	–	(1)
Assets derecognised or repaid (excluding write-offs)	–	–	58	–	58
Impact on period end ECL of changes to inputs used for ECL calculations during the period	1	–	(590)	–	(589)
Unwinding of discount	–	–	(45)	–	(45)
Recoveries	–	–	(122)	–	(122)
Write-offs	–	–	881	–	881
At 30 September 2019	–	–	(301)	–	(301)

An analysis of changes in the ECL allowances in relation to credit card loans for the three months ended 30 September 2020 is as follows:

<i>Credit cards</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(1,023)	(252)	(814)	–	(2,089)
New assets originated or purchased	(116)	–	–	–	(116)
Assets derecognised or repaid (excluding write-offs)	112	–	6	–	118
Transfers to Stage 1	(158)	105	53	–	–
Transfers to Stage 2	39	(49)	10	–	–
Transfers to Stage 3	25	113	(138)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	392	(155)	7	–	244
Unwinding of discount	–	–	(23)	–	(23)
Recoveries	–	–	(1)	–	(1)
Write-offs	–	–	32	–	32
Effect from changes in exchange rates	(8)	–	–	–	(8)
Assets of the disposal group held for sale	44	2	43	–	89
At 30 September 2020	(693)	(236)	(825)	–	(1,754)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to credit card loans for the nine months ended 30 September 2020 is as follows:

<i>Credit cards</i>	<i>For the nine months ended 30 September 2020 (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	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(255)	(1)	–	–	(256)
Assets derecognised or repaid (excluding write-offs)	238	12	21	–	271
Transfers to Stage 1	(247)	171	76	–	–
Transfers to Stage 2	93	(107)	14	–	–
Transfers to Stage 3	102	301	(403)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	19	(630)	(92)	–	(703)
Unwinding of discount	–	–	(71)	–	(71)
Recoveries	–	–	(3)	–	(3)
Write-offs	–	–	111	–	111
Effect from changes in exchange rates	308	172	–	–	480
Assets of the disposal group held for sale	44	2	43	–	89
At 30 September 2020	(693)	(236)	(825)	–	(1,754)

An analysis of changes in the ECL allowances in relation to credit card loans for the three months ended 30 September 2019 is as follows:

<i>Credit cards</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(909)	(126)	(334)	–	(1,369)
New assets originated or purchased	(305)	–	–	–	(305)
Assets derecognised or repaid (excluding write-offs)	170	4	19	–	193
Transfers to Stage 1	(35)	29	6	–	–
Transfers to Stage 2	23	(26)	3	–	–
Transfers to Stage 3	16	85	(101)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	44	(114)	(71)	–	(141)
Unwinding of discount	–	–	(37)	–	(37)
Recoveries	–	–	(2)	–	(2)
Write-offs	–	–	52	–	52
At 30 September 2019	(996)	(148)	(465)	–	(1,609)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to credit card loans for the nine months ended 30 September 2019 is as follows:

<i>Credit cards</i>	<i>For the nine months ended 30 September 2019 (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 2019	(453)	(48)	(184)	–	(685)
Acquisition of subsidiaries	(16)	(1)	(77)	–	(94)
New assets originated or purchased	(886)	–	–	–	(886)
Assets derecognised or repaid (excluding write-offs)	385	6	29	–	420
Transfers to Stage 1	(38)	26	12	–	–
Transfers to Stage 2	26	(5)	(21)	–	–
Transfers to Stage 3	25	128	(153)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(39)	(254)	(92)	–	(385)
Unwinding of discount	–	–	(63)	–	(63)
Recoveries	–	–	(6)	–	(6)
Write-offs	–	–	90	–	90
At 30 September 2019	(996)	(148)	(465)	–	(1,609)

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the three months ended 30 September 2020 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2020	(227)	(20)	(18,401)	1,344	(17,304)
New assets originated or purchased	(26)	–	–	–	(26)
Assets derecognised or repaid (excluding write-offs)	–	–	369	–	369
Transfers to Stage 1	(47)	11	36	–	–
Transfers to Stage 2	8	(38)	30	–	–
Transfers to Stage 3	30	13	(43)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	189	(31)	(3,088)	(518)	(3,448)
Unwinding of discount	–	–	(959)	–	(959)
Recoveries	–	–	(533)	–	(533)
Write-offs	–	–	3,010	597	3,607
Effect from changes in exchange rates	–	–	(808)	–	(808)
Assets of the disposal group held for sale	–	–	1	–	1
At 30 September 2020	(73)	(65)	(20,386)	1,423	(19,101)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the nine months ended 30 September 2020 is as follows:

<i>Other loans secured by collateral</i>	<i>For the nine months ended 30 September 2020 (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	(132)	(28)	(16,563)	1,761	(14,962)
New assets originated or purchased	(160)	–	–	–	(160)
Assets derecognised or repaid (excluding write-offs)	15	10	1,768	12	1,805
Transfers to Stage 1	(86)	32	54	–	–
Transfers to Stage 2	13	(47)	34	–	–
Transfers to Stage 3	31	23	(54)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	246	(55)	(9,693)	(947)	(10,449)
Unwinding of discount	–	–	(2,625)	–	(2,625)
Recoveries	–	–	(1,672)	–	(1,672)
Write-offs	–	–	9,473	597	10,070
Effect from changes in exchange rates	–	–	(1,109)	–	(1,109)
Assets of the disposal group held for sale	–	–	1	–	1
At 30 September 2020	(73)	(65)	(20,386)	1,423	(19,101)

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the three months ended 30 September 2019 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three months ended 30 September 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 July 2019	(94)	(33)	(16,316)	2,332	(14,111)
New assets originated or purchased	(49)	–	–	–	(49)
Assets derecognised or repaid (excluding write-offs)	1	–	911	–	912
Transfers to Stage 1	(28)	15	13	–	–
Transfers to Stage 2	4	(22)	18	–	–
Transfers to Stage 3	–	16	(16)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(13)	(11)	(2,363)	(492)	(2,879)
Unwinding of discount	–	–	(703)	–	(703)
Recoveries	–	–	(575)	–	(575)
Write-offs	–	–	3,127	–	3,127
Effect from changes in exchange rates	–	–	(2)	–	(2)
At 30 September 2019	(179)	(35)	(15,906)	1,840	(14,280)

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

*Analysis of movements in ECL allowances (continued)*

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the nine months ended 30 September 2019 is as follows:

<i>Other loans secured by collateral</i>	<i>For the nine months ended 30 September 2019 (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 2019	(72)	(23)	(16,767)	453	(16,409)
Acquisition of subsidiaries	(4)	(9)	(222)	–	(235)
New assets originated or purchased	(221)	–	–	–	(221)
Assets derecognised or repaid (excluding write-offs)	222	16	5,222	(95)	5,365
Transfers to Stage 1	(49)	22	27	–	–
Transfers to Stage 2	11	(51)	40	–	–
Transfers to Stage 3	17	35	(52)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(83)	(25)	(11,249)	1,522	(9,835)
Unwinding of discount	–	–	(1,988)	–	(1,988)
Recoveries	–	–	(4,999)	–	(4,999)
Write-offs	–	–	14,084	(40)	14,044
Effect from changes in exchange rates	–	–	(2)	–	(2)
At 30 September 2019	(179)	(35)	(15,906)	1,840	(14,280)

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

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Stage 3 and POCI		
Non-performing loans not overdue	8,558	12,309
Non-performing loans overdue and restructured	59,962	60,933
Other credit-impaired loans	131,426	102,791
	<u>199,946</u>	<u>176,033</u>
ECL allowance	(76,819)	(63,493)
	<u>123,127</u>	<u>112,540</u>

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 for the three and nine-month periods were as follows: ended 30 September 2020 and 2019:

	<i>For the three months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Mortgage loans	146	186
Other loans secured by collateral	174	266
Total undiscounted ECL at initial recognition of POCI	<u>320</u>	<u>452</u>

*(millions of tenge)*

## 14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Mortgage loans	627	543
Other loans secured by collateral	504	929
Total undiscounted ECL at initial recognition of POCI	1,131	1,472

## 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 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 impairment exists.

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

As at 30 September 2020, loans net of ECL allowance overdue over 90 days amount to KZT 85,486 million (as at 31 December 2019: KZT 80,961 million). As at 30 September 2020, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 113,657 million (31 December 2019: KZT 121,345 million).

*Repossessed collateral*

During the nine-month period ended 30 September 2020, the Group repossessed collateral on loans to customers, represented by real estate, with a carrying amount of KZT 6,435 million (nine-month period ended 30 September 2019: KZT 9,560 million) by obtaining control over collateral for loans issued to customers (*Note 16*). The Group's policy assumes sale of these assets as soon as it is practicable.

## Concentration of loans to customers

As at 30 September 2020, the concentration of loans issued by the Group to the ten largest independent borrowers amounted to KZT 121,459 million or 14.0% of the total loan portfolio (31 December 2019: KZT 120,211 million or 14.0% of the total loan portfolio). As at 30 September 2020 ECL allowance for these loans is KZT 1,807 million (31 December 2019: KZT 1,201 million).

*(millions of tenge)*

## 14. Loans to customers (continued)

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>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans to retail customers	451,885	470,138
Metallurgy	62,195	61,447
Wholesale trading	57,211	60,512
Real estate activities	54,570	50,495
Services provided by small and medium businesses	40,961	40,185
Retail services	40,374	33,624
Construction	31,558	34,082
Food industry	19,978	18,696
Financial services	19,960	15,748
Transportation	15,311	12,063
Production of crude oil and natural gas	6,448	6,763
Textile production	6,937	5,943
Production of metal goods	4,062	3,233
Agriculture	3,159	2,907
Manufacturing	2,170	2,429
Chemical industry	1,943	1,373
Post and communication services	1,069	1,111
Machine-engineering	657	462
Other	49,065	36,143
	<u>869,513</u>	<u>857,354</u>
ECL allowance	<u>(91,955)</u>	<u>(72,286)</u>
	<u>777,558</u>	<u>785,068</u>

During the nine months ended 30 September 2020, the Group has modified the terms and conditions of certain mortgage and consumer loans, including introduction of payment holidays, as part of the measures introduced by the government related to consequences of COVID-19 pandemic. As a result, the Group recognized a loss from modification of the terms of loans to customers, which amounted to KZT 1,732 million.

As at 30 September 2020, the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. In particular, it has revised indicators of significant increase in credit risk and does not automatically consider the credit risk to have significantly increased in the case of a loan modification being part of the government support measures. The Group also updated forward-looking information, including forecasts of macroeconomic indicators.



*(millions of tenge)*

## 15. Investment securities

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

	<i>30 September 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-	23,131	19,398
Bonds of foreign countries rated from BB- to BB+	881	771
Total government bonds	<u>24,012</u>	<u>20,169</u>
Corporate bonds		
Rated from BBB- to BBB+	84,060	76,655
Rated from BB- to BB+	164,552	160,266
Total corporate bonds	<u>248,612</u>	<u>236,921</u>
Bonds of banks		
Rated from B- to B+	5,275	4,760
Total bonds of banks	<u>5,275</u>	<u>4,760</u>
Investment securities measured at amortised cost before ECL allowance	277,899	261,850
ECL allowance	(951)	(808)
Investment securities measured at amortised cost	<u>276,948</u>	<u>261,042</u>
	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Debt securities at FVOCI		
Government bonds		
Notes of the NBRK rated BBB-	175,224	265,726
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	221,596	90,793
Bonds of the Sultanate of Oman rated BB	1,305	1,156
Total government bonds	<u>398,125</u>	<u>357,675</u>
Corporate bonds		
Rated from AA- to AA+	–	794
Rated from BBB- to BBB+	55,084	36,517
Total corporate bonds	<u>55,084</u>	<u>37,311</u>
Bonds of banks		
Rated from A- to A+	3,521	8,259
Rated from BBB- to BBB+	16,303	18,723
Rated from BB- to BB+	39,546	30,521
Rated from B- to B+	–	5,935
Rated CCC	4,384	–
Total bonds of banks	<u>63,754</u>	<u>63,438</u>
Investment securities measured at FVOCI	<u>516,963</u>	<u>458,424</u>

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

*(millions of tenge)*

## 15. Investment securities (continued)

As at 30 September 2020, the Group had no concluded open repurchase agreements.

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

In September 2019, the Group purchased new bonds of NAC Kazatomprom JSC indexed to the US dollar and maturing on 27 October 2024 with a nominal value of KZT 70,000 million and bearing a coupon of 4% per annum. The fair value of the bonds at initial recognition amounted to KZT 77,053 million measured using the effective interest rate of 1.89% p.a. 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 Sovereign Wealth 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 Sovereign Wealth Fund Samruk-Kazyna JSC (*Note 20*), with a total nominal value of KZT 220,000 million, act as a collateral for obligations to the Group on the above listed bonds.

## 16. Other assets

Other assets comprise:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Other receivables from banking activities	13,102	12,323
Other receivables	14,204	17,472
	<u>27,306</u>	<u>29,795</u>
ECL allowance	(2,934)	(3,014)
Other financial assets	<u>24,372</u>	<u>26,781</u>
Repossessed collaterals	58,932	59,684
Prepayments and other receivables	5,917	7,141
Prepaid taxes, other than corporate income tax	2,775	2,630
Inventories held for sale	1,958	5,648
Other inventories	888	624
Investment property	579	592
Other	39	65
	<u>71,088</u>	<u>76,384</u>
Allowance for impairment	(65)	(122)
Other non-financial assets	<u>71,023</u>	<u>76,262</u>
Total other assets	<u>95,395</u>	<u>103,043</u>

During the nine-month period ended 30 September 2020, the Group took possession of collaterals with a total value of KZT 6,435 million (nine-month period ended 30 September 2019: KZT 9,560 million). Even though the Group is currently working actively to sell repossessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the repossessed collateral.

*(millions of tenge)***17. Assets and liabilities of a disposal group held for sale**

On 29 July 2020 the Bank signed an agreement on sale of 100% common shares in Bank Kassa Nova JSC, the subsidiary of the Bank, to investment company FREEDOM FINANCE JSC. The transaction is planned to be closed by the end of 2020 after receiving the approval of AFM and other required authorization.

In accordance with the sale agreement, the group of assets of Bank Kassa Nova JSC together with directly related liabilities will be transferred to the buyer within one operation. As at 30 September 2020, the Group considers that this group of assets and liabilities meets the criteria for classification as held for sale in accordance with IFRS 5 and, accordingly, has been classified as a disposal group in the interim condensed consolidated statement of financial position.

Assets and liabilities of a disposable group held for sale comprise the following:

	<i>30 September 2020 (unaudited)</i>
<b>Assets</b>	
Cash and cash equivalents	38,029
Amounts due from financial institutions	579
Loans to customers	850
Investment securities	4,273
Property and equipment	4,547
Intangible assets	1,173
Other assets	776
<b>Total asset of the disposal group held for sale</b>	<b>50,227</b>
<b>Liabilities</b>	
Current accounts and deposits of customers	80,629
Amounts due to banks and other financial institutions	1,985
Deferred tax liabilities	1,158
Subordinated debt	3,365
Other liabilities	553
<b>Total liabilities of the disposal group held for sale</b>	<b>87,690</b>
<b>Net liabilities of the disposal group</b>	<b>37,463</b>

The contractual amounts of credit related contingencies of a disposal group are set out in the table by category:

	<i>30 September 2020 (unaudited)</i>
Undrawn loan commitments	74
Guarantees issued	2,652
Letters of credit	-
	<b>2,726</b>
Less: current accounts and deposits of customers, held as collateral under letters of credit and guarantees	(1,345)
Less: ECL allowance	-
	<b>1,381</b>

*(millions of tenge)***18. Current accounts and deposits of customers**

Current accounts and deposits of customers comprise the following:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts and demand deposits		
- Retail customers	75,336	77,686
- Corporate customers	410,931	366,126
Term deposits		
- Retail customers	451,298	502,476
- Corporate customers	439,261	326,046
Guarantee deposits		
- Retail customers	18,031	23,538
- Corporate customers	53,830	41,077
	<u>1,448,687</u>	<u>1,336,949</u>
Held as security against letters of credit and guarantees <i>(Note 25)</i>	(482)	(1,689)

Concentration of current accounts and deposits of customers

As at 30 September 2020, total amount of account balances of top 10 clients amounted to KZT 320,403 million or 22.1% of total current accounts and deposits of customers (31 December 2019: KZT 193,526 million or 14.5%).

As at 30 September 2020, term deposits include individuals deposits in the amount of KZT 223,864 million (31 December 2019: KZT 245,716 million), which are subject to limited insurance coverage from the KDIF on behalf of the Government.

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

**19. Amounts due to banks and other financial institutions**

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

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans from governmental organizations	71,228	82,990
Liabilities due to Kazakhstan Sustainability Fund JSC	57,214	27,272
Loans from other financial institutions	22,533	7,543
Current accounts and deposits of banks	59	1
	<u>151,034</u>	<u>117,806</u>

As at 30 September 2020, loans from governmental organizations include loans from Entrepreneurship Development Fund "Damu" JSC and Development Bank of Kazakhstan JSC in the amount of KZT 52,734 million and KZT 12,964 million, respectively (31 December 2019: KZT 68,136 million and KZT 10,984 million, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. The loans are denominated in tenge, bear nominal interest rates from 1.00% to 8.83% per annum and mature in 2020-2035.

As at 30 September 2020, loans due to Kazakhstan Sustainability Fund JSC included funds in the amount of 46,754 million tenge received as part of the implementation of measures by the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These loans include deposits denominated in tenge in the amount of KZT 21,603 million, with a nominal interest rate of 5.00% per annum and maturity in 2021 and funds in the amount of KZT 25,151 million, on which interest is not accrued and paid until the moment these funds will be utilized by the Bank *(Note 12)*.

As at 30 September 2020, liabilities due to Kazakhstan Sustainability Fund JSC include deposits in the amount of KZT 10,460 million (31 December 2019: KZT 27,272 million) received from KSF JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.99% per annum and mature in 2038.

*(millions of tenge)***19. Amounts due to banks and other financial institutions (continued)**

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

As at 30 September 2020 loans from other financial institutions include loans in the amount of KZT 22,533 million (31 December 2019: KZT 3,267 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge, bear interest rate of 8.55% per annum and mature in 2023.

**20. Debt securities issued**

Debt securities issued comprise the following:

	<i>Maturity</i>	<i>Coupon rate</i>	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Bonds denominated in US dollars				
Bonds issued in 2019	2022	3.00%	16,918	14,946
Eurobonds issued in 2010	2022	14%	16,074	13,757
			<u>32,992</u>	<u>28,703</u>
Bonds denominated in tenge				
Bonds issued in 2018	2024	4.00%	163,464	148,755
Bonds issued in 2015	2025	10.13%	46,966	47,813
Bonds issued in 2010	2020	8% (1% + inflation index)	–	3,992
			<u>210,430</u>	<u>200,560</u>
			<u>243,422</u>	<u>229,263</u>

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

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

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

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

**21. Subordinated debt**

Subordinated debt comprises the following:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Subordinated debt securities issued	20,788	22,648
Long-term loans in tenge	–	1,919
Long-term loans in US dollars	–	364
Debt component of preferred shares	–	1,020
	<u>20,788</u>	<u>25,951</u>

As at 30 September 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 accordance with contractual terms on 14 April 2020, the Bank redeemed subordinated debt securities issued amounting to KZT 2,289 million.

*(millions of tenge)***22. Share capital**

The number of authorised, placed and outstanding common shares and share capital as at 30 September 2020 and 31 December 2019 are as follows:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Common shares		
Number of authorised shares	150,003,000,000	150,003,000,000
Number of issued shares	92,387,104,089	92,387,104,089
Number of repurchased shares	(3,391,835,697)	(2,893,522,817)
Number of outstanding shares	88,995,268,392	89,493,581,272
Total share capital, millions of tenge	<u>327,555</u>	<u>328,377</u>

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

	<i>Number of common shares</i>	<i>Placement value of common shares</i>
At 1 January 2020	89,493,581,272	328,377
Repurchase of treasury shares (unaudited)	(498,312,880)	(822)
At 30 September 2020 (unaudited)	<u>88,995,268,392</u>	<u>327,555</u>
As at 1 January 2019	91,140,151,301	331,504
Repurchase of treasury shares (unaudited)	(1,646,570,029)	(3,127)
As at 30 September 2019 (unaudited)	<u>89,493,581,272</u>	<u>328,377</u>

During the nine months ended 30 September 2020, the Bank declared dividends on common shares for the year ended 31 December 2019 in the amount of KZT 21,110 million.

During the nine months ended 30 September 2019, the Bank declared dividends on common shares for the year ended 31 December 2018 in the amount of KZT 11,376 million.

**23. Earnings per share**

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

	<i>For the three months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Net profit attributable to shareholders of the Bank	13,850	18,204
Weighted average number of common shares for the three-month period ended 30 September	88,995,268,392	89,493,581,272
Basic and diluted earnings per share, in tenge	0.16	0.20
	<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Net profit attributable to shareholders of the Bank	44,897	34,244
Weighted average number of common shares for the nine-month period ended 30 September	89,157,129,145	90,212,217,439
Basic and diluted earnings per share, in tenge	0.50	0.38

As at 30 September 2020 and 31 December 2019, the Group does not have any financial instruments diluting earnings per share.

*(millions of tenge)*

## 24. 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 30 September 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 maximize shareholders' value.

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

The NBRK sets and monitors capital requirements for the Bank.

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

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

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the 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 30 September 2020 and 31 December 2019:

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Tier 1 capital	226,673	212,322
Tier 2 capital	15,407	16,601
Total capital	<u>242,080</u>	<u>228,923</u>
Risk-weighted statutory assets, contingent liabilities, operational and market risk	1,177,091	1,251,120
Ratio k1	19.3%	17.0%
Ratio k1-2	19.3%	17.0%
Ratio k2	20.6%	18.3%

In February 2020, the asset quality review of the Group as of 1 April 2019, initiated by the NBRK, was completed. As at the review date, the Group had a surplus of equity, taking into account the review results.

## 25. 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.

*(millions of tenge)*

## 25. Commitments and contingencies (continued)

## Political and economic environment (continued)

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 loan and credit card limits and overdraft facilities.

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

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

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

	<i>30 September 2020 (unaudited)</i>	<i>31 December 2019</i>
Undrawn loan commitments	144,718	139,352
Guarantees issued	46,787	44,209
Letters of credit	1,955	223
	<u>193,460</u>	<u>183,784</u>
Less: current accounts and deposits of customers, held as security against letters of credit and guarantees ( <i>Note 18</i> )	(482)	(1,689)
Less: ECL allowance	(437)	(299)
	<u><u>192,541</u></u>	<u><u>181,796</u></u>

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

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

## Legal proceedings

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

## 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. Starting from 1 January 2020, the adequacy of tax assessment in the reporting period may be reviewed during the next three calendar years. However, under certain circumstances a tax year may remain open for a longer period of time.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities in these 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.



*(millions of tenge)*

## 26. 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-month and nine-month periods ended 30 September 2020 and 2019 is as follows:

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Members of the Board of Directors and the Management Board of the Group	106	441	2,597	820
	106	441	2,597	820

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

As at 30 September 2020, total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 51 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 30 September 2020 and related profit or loss for the three-month and nine-month periods ended 30 September 2020 from transactions with related parties are as follows:

	<i>30 September 2020 (unaudited)</i>						<i>Total In million tenge</i>
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</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>Average effective interest rate, (%)</i>	
<b>Assets</b>							
Loans to customers	–	–	–	–	4,378	5	4,378
Other assets	–	–	28	–	2	–	30
<b>Liabilities</b>							
Current accounts and deposits of customers	15,334	1,20	10,871	1,03	43,552	0.18	69,757
Liabilities of the disposal group held for sale	–	–	–	–	1,040	8	1,040
Other liabilities	–	–	18	–	–	–	18
Contingent liabilities	–	–	–	–	21,926	–	21,926

	<i>For the three months ended 30 September 2020 (unaudited)</i>				
	<i>Shareholders</i>	<i>Entities under common control</i>		<i>Other related parties</i>	<i>Total</i>
Income/(expense)					
Interest income		–	–	63	63
Interest expense		(48)	(18)	(236)	(302)
Fee and commission income		1	9	–	10
Fee and commission expense		–	–	(26)	(26)
Other income		–	–	1	1
Other expenses		–	(21)	(1)	(22)

*(millions of tenge)*

## 26. Related party transactions (continued)

Transactions with other related parties (continued)

	<i>For the nine months ended 30 September 2020 (unaudited)</i>			
	<i>Entities under</i>			<i>Total</i>
	<i>Shareholders</i>	<i>common control</i>	<i>Other related parties</i>	
Income/(expense)				
Interest income	–	–	215	215
Interest expense	(137)	(54)	(377)	(568)
Fee and commission income	2	28	–	30
Fee and commission expense	–	–	(20)	(20)
Other income	–	–	1	1
Other expenses	–	(87)	(854)	(941)

As at 31 December 2019, the outstanding balances and the average effective interest rates and related profit or loss for the three-month and nine-month periods ended 30 September 2019 from transactions with related parties are as follows:

	<i>31 December 2019</i>						
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>		<i>Total</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>Average effective interest rate, (%)</i>	
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

	<i>For the three months ended 30 September 2019 (unaudited)</i>			
	<i>Entities under</i>			<i>Total</i>
	<i>Shareholders</i>	<i>common control</i>	<i>Other related parties</i>	
Income/(expense)				
Interest income	–	147	7	154
Interest expense	(2)	(20)	(18)	(40)
Fee and commission income	1	(9)	(8)	(16)
Net gains from foreign currencies	–	–	31	31
Other expenses	–	(2)	(61)	(63)

	<i>For the nine months ended 30 September 2019 (unaudited)</i>			
	<i>Entities under</i>			<i>Total</i>
	<i>Shareholders</i>	<i>common control</i>	<i>Other related parties</i>	
Income/(expense)				
Interest income	–	–	160	160
Interest expense	(66)	(56)	(18)	(140)
Fee and commission income	1	5	13	19
Net gains from foreign currencies	–	–	109	109
Other expenses	–	(59)	(61)	(120)

*(millions of tenge)*

## 27. 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 related 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, Investment Activities).

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

	30 September 2020 (unaudited)					Total
	CB	SMB	RB	Investing activities	Other	
<b>Assets</b>						
Cash and cash equivalents	119,595	80,945	139,073	–	10,999	350,612
Amounts due from financial institutions	–	–	–	70,867	–	70,867
Trading securities	–	–	–	7,004	–	7,004
Loans to customers	145,134	221,980	344,171	–	66,273	777,558
Assets of the disposal group held for sale	–	–	–	50,227	–	50,227
Investment securities	–	–	–	793,911	–	793,911
Property and equipment	–	–	–	–	67,044	67,044
Intangible assets	–	–	–	–	10,554	10,554
Other assets	55	1,209	2,300	828	91,003	95,395
<b>Total assets</b>	<b>264,784</b>	<b>304,134</b>	<b>485,544</b>	<b>922,837</b>	<b>245,873</b>	<b>2,223,172</b>
<b>Liabilities</b>						
Current accounts and deposits of customers	587,449	308,247	552,947	–	44	1,448,687
Amounts due to banks and other financial institutions	10,029	130,598	9,554	615	238	151,034
Debt securities issued	–	–	18,214	163,464	61,744	243,422
Liabilities of the disposal group held for sale	–	–	–	–	87,690	87,690
Deferred income tax liabilities	–	–	–	–	4,040	4,040
Subordinated debt	–	–	–	–	20,788	20,788
Other liabilities	53	431	3,121	8	11,181	14,794
<b>Total liabilities</b>	<b>597,531</b>	<b>439,276</b>	<b>583,836</b>	<b>164,087</b>	<b>185,725</b>	<b>1,970,455</b>
<b>Equity</b>						
Share capital	–	–	–	–	332,815	332,815
Treasury shares	–	–	–	–	(5,260)	(5,260)
Additional paid-in capital	–	–	–	–	21,109	21,109
Fair value reserve	–	–	–	–	6,658	6,658
Accumulated losses	–	–	–	–	(102,605)	(102,605)
<b>Total equity attributable to shareholders of the Bank</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>252,717</b>	<b>252,717</b>

*(millions of tenge)*

## 27. Segment information (continued)

	31 December 2019					Total
	CB	SMB	RB	Investing activities	Other	
<b>Assets</b>						
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
<b>Total assets</b>	<b>217,935</b>	<b>271,229</b>	<b>516,754</b>	<b>754,143</b>	<b>309,909</b>	<b>2,069,970</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>487,954</b>	<b>365,218</b>	<b>636,387</b>	<b>273,216</b>	<b>78,243</b>	<b>1,841,018</b>
<b>Equity</b>						
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)
<b>Total equity attributable to shareholders of the Bank</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>228,952</b>	<b>228,952</b>

*(millions of tenge)*

## 27. Segment information (continued)

Information on the main reporting segments for the three-month and nine-month periods ended 30 September 2020 and 2019 is presented as follows:

	<i>For the three months ended 30 September 2020 (unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	2,671	8,164	20,469	14,648	1,438	47,390
Interest expense	(5,613)	(3,625)	(7,096)	(5,083)	(1,617)	(23,034)
Net interest income	(2,942)	4,539	13,373	9,565	(179)	24,356
Fee and commission income	619	4,376	4,250	–	–	9,245
Fee and commission expense	–	(2,002)	(1,655)	(29)	(3)	(3,689)
Net (losses)/gains from financial instruments at fair value through profit or loss	–	(9)	(15)	(76)	12	(88)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(2)	–	(2)
Net gains/(losses) from foreign currencies	565	1,638	881	239	(520)	2,803
Net gain/(loss) from derecognition of financial liabilities as a result of modification	–	2	502	–	(504)	–
Other income/(expense)	1	(237)	605	(47)	981	1,303
Non-interest income/(expense)	1,185	3,768	4,568	85	(34)	9,572
(Credit loss expense) / reversal of allowance for expected credit losses	(368)	(69)	(4,240)	14	(2,810)	(7,473)
General and administrative expenses	(455)	(2,851)	(6,584)	(158)	(919)	(10,967)
Other expenses	(22)	(251)	(601)	10	(269)	(1,133)
Non-interest expense	(845)	(3,171)	(11,425)	(134)	(3,998)	(19,573)
(Loss)/profit before corporate income tax (expense)/benefit	(2,602)	5,136	6,516	9,516	(4,211)	14,355
Corporate income tax (expense)/benefit	–	(92)	(152)	18	(279)	(505)
(Loss)/profit for the period	(2,602)	5,044	6,364	9,534	(4,490)	13,850

*(millions of tenge)*

## 27. Segment information (continued)

	<i>For the nine months ended 30 September 2020 (unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	7,394	21,054	57,702	41,621	9,326	137,097
Interest expense	(15,271)	(7,888)	(19,777)	(16,069)	(8,003)	(67,008)
Net interest income	(7,877)	13,166	37,925	25,552	1,323	70,089
Fee and commission income	1,674	12,397	10,983	42	78	25,174
Fee and commission expense	(871)	(4,300)	(4,846)	(168)	(43)	(10,228)
Net loss from financial instruments at fair value through profit or loss	–	(20)	(31)	(235)	(50)	(336)
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	21	–	21
Net gains/(losses) from foreign currencies	2,416	5,138	3,075	2,164	(3,642)	9,151
Net gain from derecognition of financial liabilities as a result of modification	–	2	502	–	17,452	17,956
Other income/(expense)	1	(35)	756	78	2,772	3,572
Non-interest income	3,220	13,182	10,439	1,902	16,567	45,310
Credit loss expense	(466)	(1,013)	(15,485)	(458)	(8,375)	(25,797)
General and administrative expenses	(1,639)	(7,909)	(17,970)	(967)	(4,675)	(33,160)
Other expenses	(51)	(682)	(2,966)	(15)	(3,546)	(7,260)
Non-interest expense	(2,156)	(9,604)	(36,421)	(1,440)	(16,596)	(66,217)
(Loss)/profit before corporate income tax expense	(6,813)	16,744	11,943	26,014	1,294	49,182
Corporate income tax expense	–	(161)	(254)	–	(3,870)	(4,285)
(Loss)/profit for the period	(6,813)	16,583	11,689	26,014	(2,576)	44,897

	<i>For the three months ended 30 September 2019 (unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	2,391	6,165	20,318	11,435	3,006	43,315
Interest expense	(770)	(4,527)	(6,890)	(324)	(9,191)	(21,702)
Net interest income	1,621	1,638	13,428	11,111	(6,185)	21,613
Fee and commission income	265	3,903	4,340	33	488	9,029
Fee and commission expense	(8)	(1,248)	(1,584)	(63)	(219)	(3,122)
Net loss from financial instruments at fair value through profit or loss	–	–	–	(835)	–	(835)
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	717	–	717
Net gains/(losses) from foreign currencies	510	1,069	564	(1,426)	847	1,564
Net gain on initial recognition of financial assets measured at amortised cost	–	–	–	7,053	–	7,053
Other income	–	10	34	1	1,718	1,763
Non-interest income	767	3,734	3,354	5,480	2,834	16,169
Reversal of allowances for expected credit losses / (credit loss expenses)	360	(264)	(3,695)	(208)	(1,518)	(5,325)
General and administrative expenses	(508)	(2,230)	(6,036)	(279)	(2,267)	(11,320)
Other expenses	(2)	(48)	(475)	(7)	(1,919)	(2,451)
Non-interest expense	(150)	(2,542)	(10,206)	(494)	(5,704)	(19,096)
Profit before corporate income tax expense	2,238	2,830	6,576	16,097	(9,055)	18,686
Corporate income tax expense	–	–	–	–	(487)	(487)
Profit for the period	2,238	2,830	6,576	16,097	(9,542)	18,199

*(millions of tenge)*

## 27. Segment information (continued)

	<i>For the nine months ended 30 September 2019 (unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	7,130	16,887	49,609	34,672	9,500	117,798
Interest expense	(3,312)	(10,725)	(21,158)	(963)	(26,484)	(62,642)
Net interest income	3,818	6,162	28,451	33,709	(16,984)	55,156
Fee and commission income	759	9,890	11,780	76	488	22,993
Fee and commission expense	(19)	(2,909)	(4,174)	(173)	(219)	(7,494)
Net loss from financial instruments at fair value through profit or loss	-	-	-	(2,798)	-	(2,798)
Net gains from derecognition of investment securities at fair value through other comprehensive income	-	-	-	664	-	664
Net gains/(losses) from foreign currencies	2,220	2,957	1,644	(1,127)	794	6,488
Net gain on initial recognition of financial assets measured at amortised cost	-	-	-	7,053	-	7,053
Other income	-	10	198	1	3,187	3,396
Non-interest income	2,960	9,948	9,448	3,696	4,250	30,302
Reversal of allowances for expected credit losses / (credit loss expense)	1,137	(275)	(10,995)	166	(1,398)	(11,365)
General and administrative expenses	(1,472)	(6,265)	(16,134)	(1,240)	(5,497)	(30,608)
Other expense	(9)	(161)	(1,823)	(25)	(4,834)	(6,852)
Non-interest expense	(344)	(6,701)	(28,952)	(1,099)	(11,729)	(48,825)
Profit/(loss) before corporate income tax expense	6,434	9,409	8,947	36,306	(24,463)	36,633
Corporate income tax expense	-	-	-	-	(2,389)	(2,389)
Profit/(loss) for the period	6,434	9,409	8,947	36,306	(26,852)	34,244

## 28. 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 30 September 2020:

	<i>30 September 2020 (unaudited)</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 value</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	-	350,612	350,612	350,612	-
Amounts due from financial institutions	-	70,867	70,867	70,867	-
Trading securities	7,004	-	7,004	7,004	-
Loans to customers	-	777,558	777,558	778,545	987
Investment securities at FVOCI	516,963	-	516,963	516,963	-
Investment securities at amortised cost	-	276,948	276,948	266,441	(10,507)
Other financial assets	-	24,372	24,372	24,372	-
	523,967	1,500,357	2,024,324	2,014,804	(9,520)
Current accounts and deposits of customers	-	1,448,687	1,448,687	1,448,158	529
Amounts due to banks and other financial institutions	-	151,034	151,034	142,843	8,191
Debt securities issued	-	243,422	243,422	278,813	(35,391)
Subordinated debt	-	20,788	20,788	20,301	487
Other financial liabilities	-	12,011	12,011	12,011	-
	-	1,875,942	1,875,942	1,902,126	(26,184)
					(35,704)

*(millions of tenge)*

## 28. Fair value of financial instruments (continued)

Accounting classification and fair value (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 value</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	–
	<u>464,876</u>	<u>1,448,338</u>	<u>1,913,214</u>	<u>1,950,930</u>	<u>37,716</u>
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
	–	<u>1,835,805</u>	<u>1,835,805</u>	<u>1,863,881</u>	<u>(28,076)</u>
				<u>9,640</u>	

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 bid prices or dealers' prices. The Group determines fair value of all other financial instruments using various valuation techniques.

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

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

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

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



*(millions of tenge)*

## 28. Fair value of financial instruments (continued)

Accounting classification and fair value (continued)

*Assets for which fair value approximates to 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 the carrying amounts approximate to their carrying value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

*Financial assets and financial liabilities carried 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 5.20% p.a. to 13.51% p.a. (as at 31 December 2019: from 3.69% per annum to 13.96% per annum).
- To calculate the future cash flows from loans to individuals a discount rate in the range from 2.28% p.a. to 22.55% p.a. (as at 31 December 2019: from 3.76% per annum to 22.85% per annum).

## 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 30 September 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.

	Notes	30 September 2020 (unaudited)			Total
		Level 1	Level 2	Level 3	
Assets					
Trading securities	13	5,566	–	1,438	7,004
Investment securities at FVOCI	15	398,125	118,838	–	516,963
		403,691	118,838	1,438	523,967

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.

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

*(millions of tenge)*

## 28. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments not measured at fair value as at 30 September 2020, by fair value hierarchy, into which the fair value measurement is categorised:

	<i>30 September 2020 (unaudited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
<b>Assets</b>					
Cash and cash equivalents	–	350,612	–	350,612	350,612
Amounts due from financial institutions	–	70,867	–	70,867	70,867
Loans to customers	–	–	778,545	778,545	777,558
Investment securities at amortised cost	21,950	244,491	–	266,441	276,948
Other financial assets	–	24,372	–	24,372	24,372
<b>Liabilities</b>					
Current accounts and deposits of customers	–	1,448,158	–	1,448,158	1,448,687
Amounts due to banks and other financial institutions	–	142,843	–	142,843	151,034
Debt securities issued	–	278,813	–	278,813	243,422
Subordinated debt	–	20,301	–	20,301	20,788
Other financial liabilities	–	12,011	–	12,011	12,011

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>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	<i>Total carrying value</i>
<b>Assets</b>					
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
<b>Liabilities</b>					
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

## 29. Events after the end of the interim period

On 29 October 2020 the Group attracted funds from Entrepreneurship Development Fund “Damu” JSC for the purpose of regional financing of small and medium-sized private businesses in the cities of Almaty and Nur-Sultan in the amount of 1,300 million tenge.