

ForteBank Joint Stock Company
Interim condensed consolidated financial statements

*31 March 2021
with report on review of interim financial information*

CONTENTS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim condensed consolidated statement of comprehensive income	1
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of cash flows	3
Interim condensed consolidated statement of changes in equity	4-5

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information	6
2. Basis of preparation	6
3. Significant accounting judgments and estimates	8
4. Net interest income	11
5. Fee and commission income and expenses	12
6. Net gains from foreign currencies	12
7. Credit loss expense	13
8. General and administrative expenses	13
9. Corporate income tax expense	14
10. Cash and cash equivalents	14
11. Amounts due from financial institutions	15
12. Trading securities	15
13. Loans to customers	16
14. Investment securities	30
15. Other assets	32
16. Current accounts and deposits of customers	32
17. Amounts due to banks and other financial institutions	33
18. Debt securities issued	34
19. Subordinated debt	34
20. Share capital	34
21. Earnings per share	35
22. Capital management	35
23. Commitments and contingencies	36
24. Related party transactions	37
25. Segment information	38
26. Fair values of financial instruments	43

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ForteBank Joint Stock Company and its subsidiaries, which comprise the interim condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2021, the interim condensed consolidated statement of financial position as at 31 March 2021, the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management of ForteBank Joint Stock Company 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.



Building a better
working world

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 qualification certificate
No. МФ-0000286 dated 25 September 2015



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

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

27 May 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 31 March 2021

(millions of tenge)

	<i>Note</i>	<i>For the three months ended 31 March</i>	
		<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Interest revenue calculated using effective interest rate	4	45,156	44,845
Other interest revenue	4	248	235
Interest expense	4	(21,633)	(22,409)
Net interest income		23,771	22,671
Fee and commission income	5	9,137	8,477
Fee and commission expense	5	(4,347)	(3,478)
Net income from transactions with financial instruments at fair value through profit or loss		402	393
Net (losses)/gains on derecognition of investment securities at fair value through other comprehensive income		(94)	1
Net gains from foreign currencies	6	2,188	2,783
Net gains on derecognition of financial liabilities as a result of modification	17	—	17,956
Other income		924	892
Non-interest income		8,210	27,024
Credit loss expense	7	(2,704)	(8,621)
Net losses on derecognition of financial instruments at amortized cost	17	(112)	(910)
General and administrative expenses	8	(11,157)	(11,193)
Other expenses		(1,151)	(1,919)
Non-interest expenses		(15,124)	(22,643)
Profit before corporate income tax expense		16,857	27,052
Corporate income tax expense	9	(433)	(6,271)
Profit for the period		16,424	20,781
Attributable to:			
- shareholders of the Bank		16,424	20,781
- non-controlling interests		—	—
		16,424	20,781
Other comprehensive income			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		980	(5,297)
Income tax relating to components of other comprehensive income		110	403
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		(66)	341
Reclassification of cumulative loss/(gain) on derecognition of debt instruments at fair value through other comprehensive income to profit or loss		94	(1)
Other comprehensive income/(loss) for the reporting period, net of tax		1,118	(4,554)
Total comprehensive income for the period		17,542	16,227
Attributable to:			
- shareholders of the Bank		17,542	16,227
- non-controlling interests		—	—
		17,542	16,227
Basic and diluted earnings per common share (in tenge)	21	0.18	0.23

Guram Andronikashvili
Chairman of the Management Board

27 May 2021

Stanislav Levin
Chief Accountant – Director

The accompanying selected explanatory notes on pages 6 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2021
(millions of tenge)

		<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
	Notes		
Assets			
Cash and cash equivalents	10	415,460	311,632
Amounts due from financial institutions	11	86,826	73,707
Trading securities	12	1,863	7,377
Loans to customers	13	739,777	749,743
Investment securities	14	861,589	780,095
Property and equipment		65,054	65,814
Intangible assets		11,299	11,162
Other assets	15	87,106	89,735
Total assets		2,268,974	2,089,264
Liabilities			
Current accounts and deposits of customers	16	1,587,255	1,387,167
Amounts due to banks and other financial institutions	17	141,953	130,470
Amounts payable under repurchase agreements		18,115	21,670
Debt securities issued	18	245,156	240,202
Deferred tax liabilities	9	11,475	11,171
Subordinated debt	19	20,789	20,503
Other liabilities		16,319	14,750
Total liabilities		2,041,062	1,825,933
Equity			
Share capital	20	332,815	332,815
Additional paid-in capital		21,109	21,109
Treasury shares	20	(5,260)	(5,360)
Fair value reserve		10,325	9,207
Accumulated losses		(131,077)	(94,540)
Total equity attributable to shareholders of the Bank		227,912	263,331
Non-controlling interests		—	—
Total equity		227,912	263,331
Total equity and liabilities		2,268,974	2,089,264

The accompanying selected explanatory notes on pages 6 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2021
(millions of tenge)

	<i>Notes</i>	<i>For the three-month period ended 31 March</i>	
		<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Cash flows from operating activities			
Interest revenue received	4	42,376	32,442
Interest expense paid	4	(17,073)	(18,504)
Fees and commission received		10,206	8,528
Fees and commission paid		(4,347)	(3,478)
Net realised gains from financial instruments at fair value through profit or loss		434	429
Net realised gains from foreign currencies		2,376	3,171
Other operating expenses less income paid		(1,696)	(1,767)
General and administrative expenses paid		(9,303)	(7,990)
(Increase)/decrease in operating assets			
Amounts due from financial institutions		(12,802)	(11,622)
Trading securities		5,330	10
Loans to customers		6,635	(346)
Other assets		3,502	2,188
Increase/(decrease) in operating liabilities			
Current accounts and deposits of customers		194,845	17,990
Amounts due to banks and other financial institutions		13,308	17,535
Amounts payable under repurchase agreements		(3,567)	(63,613)
Other liabilities		2,231	(2,953)
Net cash from / (used in) operating activities before income tax		232,455	(39,986)
Corporate income tax paid		(19)	(197)
Net cash from / (used in) operating activities		232,436	(30,183)
Cash flows from investing activities			
Purchase of investment securities at fair value through other comprehensive income		(170,207)	(98,865)
Proceeds from sale of investment securities at fair value through other comprehensive income		2,448	1
Proceeds from redemption of investment securities at fair value through other comprehensive income		118,307	143,765
Purchase of investment securities at amortised cost		(49,813)	—
Proceeds from sale of investment securities at amortised cost		20,951	—
Purchase of property and equipment and intangible assets		(913)	(3,507)
Proceeds from sale of property and equipment and intangible assets		—	39
Net cash (used in) / from investing activities		(79,227)	41,433
Cash from financing activities			
Repurchase of own shares	20	—	(822)
Dividends paid to shareholders of the Bank	20	(52,961)	—
Repayment of lease liability		(154)	(161)
Proceeds from placement of debt securities		—	1,303
Redemption of debt securities issued		—	(3,901)
Net cash used in financing activities		(53,115)	(3,581)
Net change in cash and cash equivalents		100,094	7,669
Effect of exchange rate changes on cash and cash equivalents		3,735	50,959
Effect of expected credit losses on cash and cash equivalents		(1)	—
Cash and cash equivalents, beginning		311,632	347,242
Cash and cash equivalents, ending		415,460	405,870
Non-monetary transactions			
Repossession of collateral on loans to customers	13	1,073	1,736

The accompanying selected explanatory notes on pages 6 to 46 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2021
(millions of rouble)

<i>Equity attributable to shareholders of the Bank</i>						<i>Total equity</i>
	<i>Share capital</i>	<i>Additional capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
At 1 January 2021	332,815	21,109	(5,260)	9,207	(94,541)	263,331
Profit for the period (unaudited)	—	—	—	—	16,424	16,424
Other comprehensive income for the period (unaudited)	—	—	—	1,118	—	1,118
Total comprehensive income for the period (unaudited)	—	—	—	1,118	16,424	17,542
Dividends declared (Note 20) (unaudited)	—	—	—	—	(52,961)	(52,961)
At 31 March 2021 (unaudited)	332,815	21,109	(5,260)	10,325	(131,077)	227,912

**The accompanying referred explanations notes are placed in the other integral part of these interim condensed consolidated financial statements.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Interim condensed consolidated financial statements

<i>Equity attributable to shareholders of the Bank</i>						
	<i>Share capital</i>	<i>Additional capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
At 1 January 2020	352,815	21,109	(4,438)	5,858	(126,392)	228,952
Profit for the period (unaudited)	—	—	—	—	20,781	20,781
Other comprehensive income for the period (unaudited)	—	—	—	(4,554)	—	(4,554)
Total comprehensive income for the reporting period (unaudited)	—	—	—	(4,554)	20,781	16,227
Repurchase of own shares (<i>Note 20</i>) (unaudited)	—	—	(822)	—	(822)	(822)
At 31 March 2020 (unaudited)	332,815	21,109	(5,260)	1,304	(105,611)	244,357

The accompanying selected explanatory notes are part of the integral part of these interim condensed consolidated financial statements.

1. General

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 re-registered 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 "KDIIF"). The primary objective of the KDIIF is to protect interests of depositors in the event of forced liquidation of the participant bank. As at 31 March 2021 and 31 December 2020, 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 31 March 2021 and 31 December 2020, the Group includes the following subsidiaries:

Name	Country of incorporation	Principal activities	Ownership, %	
			31 March 2021 (unaudited)	31 December 2020
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	100.0	100.0
OUSA-Alliance JSC ¹	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-IT JSC ²	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
UNI Technologies LLC ³	Republic of Kazakhstan	Software development	100.0	100.0
ForteFinance JSC	Republic of Kazakhstan	Brokerage and dealer activities, investment portfolio management activities	100.0	100.0

Shareholders

As at 31 March 2021, Mr. B. Zh. Utemuratov is beneficial owner of 90.78% of the outstanding common shares of the Bank and is an ultimate controlling shareholder of the Group (31 December 2020: 90.60%). The rest of the shares are held by other shareholders, none of which owns more than 5% of the shares.

2. Basis of preparation

General

The interim condensed consolidated financial statements for the three months ended 31 March 2021 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 2020.

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

2. Basis of preparation (continued)

Functional and presentation currency of consolidated financial statements

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

The 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.

Effect of COVID-19 pandemic

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

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

To the extent that information was available as at 31 March 2021, the Bank has reflected revised estimates of expected future cash flows in estimating ECL (*Note 11*).

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 2020, except for the adoption of new standards effective as of 1 January 2021. The nature and the effect of these changes are disclosed below.

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

The amendments provide temporary exemptions that apply to address financial reporting implications in cases where the interbank offered rate (IBOR) is replaced by an alternative virtually risk-free interest rate. The amendments provide the following:

- A practical expedient according to which changes in contract or changes in cash flows directly required by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;
- Allows for changes required by the IBOR reform to the definition of the hedging relationship and the hedging documentation without terminating the hedging relationship;
- Entities are granted a temporary exemption from the requirement for separately identifiable components when an instrument with a risk-free rate is designated at the entity's discretion as a risk component in a hedging relationship.

These amendments did not have any impact on the interim condensed consolidated financial statements of the Group. The Group intends to apply practical expedients in future periods, if necessary.

Reclassifications

The following reclassification has been made in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2020 to conform to the presentation for the three months ended 31 March 2021:

	<i>As previously reported</i>	<i>Reclassification</i>	<i>As reclassified</i>
Net losses on derecognition financial instruments at amortized cost	[1]	—	(910) (910)
Other expenses	[1]	(2,829)	910 (1,919)

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

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

3. Significant accounting judgments 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 can 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.

COVID-19

Rapid spread of COVID-19 pandemic and related public health and social measures affected the activities of companies from various industries. The following changes in the economic environment continue to have an impact on the Group.

- Reduced industrial production and activities in many sectors of the economy as a result of government restrictions related to the outbreak 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 exchange rate against major foreign currencies, high volatility in the foreign exchange market;
- Offering clients changes to certain loan terms, including government support programs;
- Expansion of the product offering to clients via remote service channels;
- Changes in the macroeconomic indicators used in the models for estimating allowance for expected credit losses (ECL).

Due to the high level of uncertainty, as well as limited up-to-date and consistent information about the actual financial position of the Group's counterparties and borrowers, it is not possible to present a comprehensive quantitative assessment of the impact of changes in the economic environment on the Group's 2021 financial performance in these interim condensed consolidated financial statements. To the extent that information was available as at 31 March 2021, the Group has reflected revised estimates of expected future cash flows in its ECL measurement (*Note 13*).

Fair values 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 judgment is required in establishing fair values.

Assessment of collateral

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

3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Expected credit losses on financial assets

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

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

Forward-looking information and multiple economic scenarios

For the purpose of ECL allowance calculation as at 31 March 2021, the Group took into account the following:

- GDP growth rates;
- Volume of oil and gas condensate production;
- Unemployment rate;
- Volume of retail trade;
- Base rates of the NBRK;
- Inflation rate;
- Index of real wages;
- Exchange rates;
- Oil price.

The Group obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK and international financial institutions). Experts of the Group's Strategic Risks Function determine the weights attributable to the multiple scenarios. The tables show the values of the key forward-looking economic variables/assumptions used for the basic forecast scenario of key macroeconomics factors for ECL measurement purposes as at 31 March 2021. The scenario is used as a baseline scenario with a probability of 80%. In addition, the calculations also involve pessimistic and optimistic scenarios with a 10% probability each.

<i>Key drivers</i>	<i>2021</i>
Brent oil (Brent ICE), USD	35.00
GDP index, % to the previous year	102.80
Volume of oil and gas condensate extraction, million tons	86.00
Inflation rate, %	6.00
USD/KZT exchange rate	518.46

3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Forward-looking information and multiple economic scenarios (continued)

Also, the Group's management made additional adjustments to the already recognised expected credit losses as at 31 March 2021 in the amount of KZT 686 million.

The amount of the ECL allowance for loans to customers recognised in the interim condensed consolidated statement of financial position as at 31 March 2021 was KZT 78,858 million (31 December 2020: KZT 83,285 million). More details are provided in Note 13.

Determining the lease term of contracts with renewal options

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

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

Lessor – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or 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 returns, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

The management believes that the Group's tax position as at 31 March 2021 and 31 December 2020 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

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

The management believes that deferred income tax assets as at 31 March 2021 are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised, and deferred income tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

4. Net interest income

Interest income and expense comprise:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Interest revenue calculated using effective interest rate		
Loans to customers	27,892	31,807
Debt investment securities at FVOCI	11,042	8,882
Investment securities measured at amortised cost	5,076	4,169
Amounts due from financial institutions	678	569
Amounts receivable under reverse repurchase agreements	468	218
	45,156	44,845
Other interest revenue		
Trading securities:	1	68
Finance lease receivables	247	167
	45,404	45,080
Interest expense		
Current accounts and deposits of customers	(12,042)	(12,991)
Debt securities issued	(7,175)	(6,827)
Amounts due to banks and other financial institutions	(1,691)	(1,153)
Subordinated debt	(404)	(541)
Amounts payable under repurchase agreements	(321)	(897)
	(21,633)	(22,409)
Net interest income	23,771	22,671

Interest revenue calculated using the effective interest rate for the three-month period ended 31 March 2021 includes interest income of KZT 2,117 million representing amortisation of discount on loans to customers (for the three-month period ended 31 March 2020: KZT 1,488 million).

Interest income received is as follows:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Interest income received		
Loans to customers	26,985	25,830
Debt investment securities at FVOCI	13,946	5,713
Investment securities measured at amortised cost	146	100
Amounts due from financial institutions	678	458
Amounts receivable under reverse repurchase agreements	468	218
Trading securities:	153	123
	42,376	32,442

Interest expense paid comprise:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Interest expense paid		
Current accounts and deposits of customers	(12,925)	(13,835)
Debt securities issued	(2,521)	(2,543)
Amounts due to banks and other financial institutions	(1,199)	(1,008)
Subordinated debt	(118)	(130)
Amounts payable under repurchase agreements	(310)	(988)
	(17,073)	(18,504)

5. Fee and commission income and expenses

Fee and commission income includes the following:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Card operations	5,340	4,533
Settlement transactions	1,970	2,056
Cash operations	925	1,043
Guarantees and letters of credit	482	462
Foreign currency transactions and transactions with securities	69	103
Other	351	281
	9,137	8,477

Fee and commission expense includes the following:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Maintenance of card accounts	(3,937)	(3,079)
Maintenance of posted accounts	(102)	(95)
Settlement transactions	(97)	(99)
Customer accounts services by financial agents	(39)	(42)
Foreign currency transactions and transactions with securities	(17)	(14)
Other	(155)	(149)
	(4,347)	(3,478)

Revenue from contracts with customers recognised in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2021 and 2020 primarily represents fee and commission income of KZT 9,137 million and KZT 8,477 million, respectively.

As at 31 March 2021 and 31 December 2020, the Bank recognised contractual assets related to contracts with customers as other assets in the interim condensed consolidated statement of financial position in the amount of KZT 1,498 million and KZT 2,590 million respectively.

The Group usually collects fees and commissions in advance of completion of the underlying transaction or shortly thereafter (for contracts where performance obligation is satisfied point in time, such as settlement transactions).

The Group applies the practical expedient in paragraph 12E of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6. Net gains from foreign currencies

Net gains from foreign currencies comprise:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Translation differences, net	(188)	(575)
Dealing transactions, net	2,376	3,358
	2,188	2,783

7. Credit loss expense

Credit loss expense are as follows:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Amounts due from financial institutions	13	(24)
Loans to customers (Note 13)	(2,351)	(8,077)
Investment securities at amortised cost	239	(222)
Investment securities at FVOCI	66	(341)
Other financial assets	6	41
Financial guarantees, letters of credit and loan commitment	(675)	2
	(2,704)	(8,621)

8. General and administrative expenses

General and administrative expenses comprise:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Salary and related taxes	(6,077)	(6,228)
Depreciation and amortisation	(1,999)	(1,746)
Taxes other than corporate income tax	(618)	(822)
Repair and maintenance	(636)	(549)
Maintenance of buildings	(436)	(417)
Advertising and marketing	(318)	(370)
Security	(222)	(234)
Telecommunication and information services	(157)	(204)
Encahnent	(107)	(101)
Transportation	(103)	(104)
Lease	(92)	(124)
Charity and sponsorship	(74)	-
Other professional services	(68)	(40)
Business trips	(13)	(89)
Other	(237)	(165)
	(11,157)	(11,193)

General and administrative expenses comprise:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Sales and marketing	(5,416)	(6,046)
Development of technologies and new products	(1,605)	(765)
Other	(4,136)	(4,382)
	(11,157)	(11,193)

9. Corporate income tax expense

Corporate income tax expense comprise the following:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Current corporate income tax charge	(19)	(252)
Deferred corporate income tax charge – origination and reversal of temporary differences	(414)	(6,019)
	(433)	(6,271)

As at 31 March 2021, deferred corporate income tax liabilities amounted to KZT 11,475 million (31 December 2020: KZT 11,171 million).

10. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Cash on hand	78,465	65,827
Cash on current accounts with the NBRK rated at BBB-	80,269	37,855
Cash on current accounts with other banks:		
- rated from AA- to AA+	–	74
- rated from A- to A+	32,858	44,449
- rated from BBB- to BBB+	3,649	3,810
- rated from BB- to BB+	1,301	1,963
- rated below BB	100	97
- not rated	2	19
Time deposits with the NBRK rated BBB- with contractual maturity of 90 days or less	208,227	114,992
Amounts receivable under reverse repurchase agreements	10,590	42,547
Cash and cash equivalents before ECL allowance	415,461	311,633
ECL allowance	(1)	(1)
Cash and cash equivalents	415,460	311,632

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

As at 31 March 2021 and 31 December 2020, all balances of cash equivalents are allocated to Stage 1 for ECL measurement purposes.

As at 31 March 2021, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these contracts are bonds of the Ministry of Finance of the Republic of Kazakhstan, Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") and NBRK notes, the fair value of which as at 31 March 2021 is KZT 3,036 million, KZT 6,568 million and KZT 990 million, respectively (as at 31 December 2020: government bonds with fair value KZT 42,545 million).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percentage of specified second-tier banks' liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (cash in local currency and NBRK balances) equal or in excess of the average minimum requirements. As at 31 March 2021, minimum reserve requirements of the Bank amount to KZT 32,733 million (as at 31 December 2020: KZT 31,863 million).

Concentration of cash and cash equivalents

As at 31 March 2021 and 31 December 2020, the Group has an account with one bank which balance exceeded 10% of total cash and cash equivalents. The total balance on the accounts with the above counterparty as at 31 March 2021 amounts to KZT 288,196 million (as at 31 December 2020: KZT 152,847 million).

11. Amounts due from financial institutions

Amounts due from financial institutions comprise:

	31 March 2021 (unaudited)	31 December 2020
Current accounts with the NBRK rated BBB- restricted in use	45,600	34,984
Deposits with other banks:		
- not rated	614	610
Contingent deposits and deposits pledged as collateral:		
- rated at AAA	25,484	25,245
- rated from AA- to AA+	21	21
- rated from A- to A+	5,377	5,326
- rated from BBB- to BBB+	106	105
- not rated	10,405	8,203
Amounts due from financial institutions before ECL allowance	87,607	74,494
ECL allowance	(781)	(787)
Amounts due from financial institutions	86,826	73,707

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

Amounts on current accounts with the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending to businesses. These funds include amounts allocated by KSFU in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 31 March 2021 was KZT 38,834 million (as at 31 December 2020: KZT 27,789 million), the accrual and payment of interest are not provided until the moment these funds are utilised by the Bank (Note 17).

As at 31 March 2021 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 7,240 million (as at 31 December 2020: KZT 7,172 million).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), the Bank placed escrow deposits with EBRD totalling USD 66 million for a period until 2023. As at 31 March 2021, the carrying amount of escrow deposits was KZT 25,484 million (as at 31 December 2020: KZT 25,245 million).

Concentration of amounts due from financial institutions

As at 31 March 2021 and 31 December 2020, the Group has amounts due from two financial institutions whose balances exceed 10% of total due from financial institutions. As at 31 March 2021, the total amount of funds due from these financial institutions is KZT 71,084 million (31 December 2020: KZT 60,229 million).

12. Trading securities

Trading securities comprise:

	31 March 2021 (unaudited)	31 December 2020
Corporate bonds		
- rated from BB- to BB+	-	423
Total corporate bonds	-	423
Bonds of banks		
- rated from BB- to BB+	-	5,514
Total bonds of banks	-	5,514
Equity instruments	1,863	1,440
Trading securities	1,863	7,377

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

13. Loans to customers

Loans to customers comprise:

	<i>31 March 2021 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	207,790	—	66,739	—	274,529
Total individually significant loans	207,790	—	66,739	—	274,529
Individually insignificant					
Corporate loans	121,687	770	33,685	1,214	157,356
Mortgage loans	21,307	353	15,545	10,302	47,507
Consumer loans	167,924	3,889	17,570	1	189,384
Car loans	4,568	—	503	—	5,071
Credit cards	4,606	140	1,220	—	5,966
Other loans secured by collateral	72,039	2,852	45,577	18,354	138,822
Total individually insignificant loans	392,131	8,004	114,100	29,871	544,106
Loans to customers before ECL allowance	599,921	8,004	180,839	29,871	818,635
ECL allowance	(12,021)	(2,885)	(66,032)	2,080	(78,858)
Loans to customers	587,900	5,119	114,807	31,951	739,777

	<i>31 December 2020</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	183,074	7,117	58,536	—	249,627
Total individually significant loans	183,074	7,117	58,536	—	249,627
Individually insignificant					
Corporate loans	122,538	1,620	38,055	1,366	163,579
Mortgage loans	27,662	416	16,555	10,730	55,363
Consumer loans	176,203	4,051	21,352	1	201,607
Car loans	4,657	5	485	—	5,147
Credit cards	4,234	124	1,131	—	5,479
Other loans secured by collateral	83,713	1,954	48,121	18,437	152,325
Total individually insignificant loans	418,997	8,170	125,699	30,534	583,400
Loans to customers before ECL allowance	602,971	15,287	184,235	30,534	833,027
ECL allowance	(11,941)	(3,152)	(68,921)	729	(83,285)
Loans to customers	591,030	12,135	115,314	31,263	749,742

13. Loans to customers (continued)

Quality of individually significant loans

Information on the quality of individually significant loans at 31 March 2021 is presented in the table below:

Individually significant loans	31 March 2021 (unaudited)			ECL allowance to loans before ECL allowance, (%)
	Loans before ECL allowance	ECL allowance	Loans net of ECL allowance	
Stage 1 loans				
- not overdue	207,790	(3,707)	204,083	1.78
Stage 2 and Stage 3 loans				
not overdue	43,956	(1,063)	42,893	2.42
overdue less than 90 days	3,352	(112)	3,240	3.34
- overdue for 90 days to 360 days	2,746	(1,068)	1,678	38.89
- overdue for more than 360 days	16,685	(11,739)	4,946	70.36
Total Stage 2 and Stage 3 loans	66,739	(13,982)	52,757	20.95
Total individually significant loans	274,529	(17,689)	256,840	6.44

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

Individually significant loans	31 December 2020 (unaudited)			ECL allowance to loans before ECL allowance, (%)
	Loans before ECL allowance	ECL allowance	Loans net of ECL allowance	
Stage 1 loans				
	183,974	(3,387)	180,587	1.84
Stage 2 and Stage 3 loans				
- not overdue	33,423	(1,078)	32,345	3.23
- overdue for less than 90 days	14,495	-	14,495	0.00
- overdue for 90 days to 360 days	1,068	(1,068)	-	100.00
- overdue for more than 360 days	16,667	(12,281)	4,386	73.68
Total Stage 2 and Stage 3 loans	65,653	(14,427)	51,226	21.97
Total individually significant loans	249,627	(17,814)	231,813	7.14

13. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in ECL allowance

An analysis of movements in the ECL allowance on individually significant loans for the three months ended 31 March 2021 is as follows:

<i>Individually significant loans</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(3,336)	(12)	(14,466)	—	(17,814)
New assets originated or purchased	(1,402)	—	—	—	(1,402)
Assets derecognised or repaid (excluding write-offs)	417	—	381	—	798
Transfers to Stage 1	(50)	—	50	—	—
Transfers to Stage 3	10	5	(15)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	673	6	(286)	—	393
Transfer between categories of loan significance	(19)	—	(565)	—	(584)
Unwinding of discount	—	—	(281)	—	(281)
Recoveries	—	—	(381)	—	(381)
Write-off	—	—	1,814	—	1,814
Effect from changes in exchange rates	—	—	(232)	—	(232)
At 31 March 2021	(3,707)	(1)	(13,981)	—	(17,689)

An analysis of movements in the ECL on individually significant corporate loans during the three months ended 31 March 2020 is as follows:

<i>Individually significant loans</i>	<i>For the three-month period ended 31 March 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	(388)	—	—	—	(388)
Assets derecognised or repaid (excluding write-offs)	239	41	185	—	465
Transfers to Stage 1	—	—	—	—	—
Transfers to Stage 2	—	—	—	—	—
Transfers to Stage 3	—	—	—	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(364)	(3)	261	—	(106)
Unwinding of discount	—	—	(747)	—	(747)
Recoveries	—	—	(161)	—	(161)
Write-off	—	—	1,553	—	1,553
Effect from changes in exchange rates	(183)	(36)	(1,929)	—	(2,148)
At 31 March 2020	(1,946)	(33)	(26,979)	—	(28,958)

13. Loans to customers (continued)

Quality of individually significant loans (continued)

Information on the quality of individually insignificant loans at 31 March 2021 is presented in the table below:

Individually insignificant corporate loans	31 March 2021 (unaudited)			ECL allowance to loans before ECL allowance, (%)
	Loans before ECL allowance	ECL allowance	Loans net of ECL allowance	
Not overdue	128,976	(1,166)	127,810	0.90
Overdue for less than 30 days	2,595	(77)	2,518	2.97
Overdue for 30 to 89 days	3,601	(225)	3,376	6.25
Overdue for 90 to 179 days	1,690	(259)	1,431	15.33
Overdue for 180 to 360 days	2,856	(535)	2,321	18.73
Overdue for more than 360 days	16,424	(7,500)	8,924	45.67
POCL	1,214	(442)	772	36.40
Total individually insignificant corporate loans	157,356	(10,204)	147,152	6.48
 Mortgage loans				
Not overdue	20,761	(92)	20,669	0.44
Overdue for less than 30 days	1,153	(4)	1,149	0.35
Overdue for 30 to 89 days	495	(4)	491	0.81
Overdue for 90 to 179 days	179	(6)	173	3.35
Overdue for 180 to 360 days	412	(97)	315	23.54
Overdue for more than 360 days	14,205	(10,585)	3,620	74.08
POCL	10,302	550	10,852	(5.34)
Total mortgage loans	47,507	(10,238)	37,269	21.55
 Consumer loans				
Not overdue	161,229	(5,538)	155,691	3.43
Overdue for less than 30 days	7,645	(2,470)	5,175	32.31
Overdue for 30 to 89 days	3,985	(2,649)	1,336	66.47
Overdue for 90 to 179 days	3,448	(2,785)	663	80.77
Overdue for 180 to 360 days	9,986	(8,195)	1,791	82.06
Overdue for more than 360 days	3,090	(2,410)	680	77.99
POCL	1	-	1	-
Total consumer loans	189,384	(24,047)	165,337	12.7

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	<i>31 March 2021 (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	4,548	—	4,548	0.00
Overdue for less than 30 days	23	—	23	0.90
Overdue for 30 to 89 days	—	—	—	—
Overdue for 90 to 179 days	5	—	5	0.00
Overdue for 180 to 360 days	—	—	—	—
Overdue for more than 360 days	495	(160)	335	32.32
Total car loans	5,071	(160)	4,911	3.16
Credit cards				
Not overdue	4,240	(400)	3,840	9.43
Overdue for less than 30 days	356	(128)	228	35.96
Overdue for 30 to 89 days	141	(121)	20	85.82
Overdue for 90 to 179 days	126	(106)	20	84.13
Overdue for 180 to 360 days	311	(258)	53	82.96
Overdue for more than 360 days	792	(573)	219	72.38
Total credit cards	5,966	(1,586)	4,380	26.58
Other loans secured by collateral				
Not overdue	69,190	(199)	68,991	0.29
Overdue for less than 30 days	7,439	(73)	7,366	0.98
Overdue for 30 to 89 days	5,672	(158)	5,514	2.79
Overdue for 90 to 179 days	1,220	(133)	1,087	10.90
Overdue for 180 to 360 days	2,986	(143)	2,843	4.79
Overdue for more than 360 days	33,961	(16,200)	17,761	47.85
POC	18,354	1,972	20,326	(10.74)
Total other loans secured by collateral	138,822	(14,934)	123,888	10.76
Total individually insignificant loans	544,106	(61,169)	482,937	11.24

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

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

	31 December 2020			
	Loans before ECL allowance	ECL allowance	Loans net of ECL allowance	ECL allowance to loans before ECL allowance, (%)
Individually insignificant corporate loans				
Not overdue	134,407	(859)	133,548	0.64
Overdue for less than 30 days	1,715	(6)	1,709	0.35
Overdue for 30 to 89 days	3,763	(392)	3,371	10.42
Overdue for 90 to 179 days	2,322	(311)	2,011	13.39
Overdue for 180 to 360 days	1,479	(69)	1,410	4.67
Overdue for more than 360 days	18,528	(7,767)	10,761	41.92
POCL	1,365	(543)	822	39.78
Total individually insignificant corporate loans	163,579	(9,947)	153,632	6.08
Mortgage loans				
Not overdue	27,177	(108)	27,069	0.40
Overdue for less than 30 days	1,249	(6)	1,243	0.48
Overdue for 30 to 89 days	518	(16)	502	3.09
Overdue for 90 to 179 days	238	(68)	170	28.57
Overdue for 180 to 360 days	452	(61)	391	13.50
Overdue for more than 360 days	15,000	(10,514)	4,486	70.09
POCL	10,729	523	11,252	(4.87)
Total mortgage loans	55,363	(10,250)	45,113	18.51
Consumer loans				
Not overdue	169,848	(6,142)	163,706	3.62
Overdue for less than 30 days	7,117	(2,256)	4,861	31.70
Overdue for 30 to 89 days	4,213	(2,886)	1,327	68.50
Overdue for 90 to 179 days	5,910	(4,826)	1,074	81.80
Overdue for 180 to 360 days	7,838	(6,366)	1,472	81.22
Overdue for more than 360 days	6,690	(5,368)	1,322	80.24
POCL	1	—	1	0.00
Total consumer loans	201,607	(27,844)	173,763	13.81
Car loans				
Not overdue	4,634	(1)	4,633	0.02
Overdue for less than 30 days	25	—	25	0.00
Overdue for 30 to 89 days	8	—	8	0.00
Overdue for 90 to 179 days	—	—	—	—
Overdue for 180 to 360 days	3	(1)	2	33.33
Overdue for more than 360 days	477	(130)	347	27.25
Total car loans	5,147	(132)	5,015	2.56

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	<i>31 December 2020</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>
Credit cards				
Not overdue	3,934	(424)	3,510	10.78
Overdue for less than 30 days	245	(94)	151	38.37
Overdue for 30 to 89 days	163	(121)	42	74.23
Overdue for 90 to 179 days	206	(143)	63	69.42
Overdue for 180 to 360 days	340	(234)	106	68.82
Overdue for more than 360 days	391	(358)	233	60.58
Total credit cards	5,479	(1,374)	4,105	25.08
Other loans secured by collateral				
Not overdue	84,268	(270)	83,998	0.32
Overdue for less than 30 days	7,387	(143)	7,244	1.94
Overdue for 30 to 89 days	3,099	(162)	2,937	5.23
Overdue for 90 to 179 days	1,839	(71)	1,768	3.86
Overdue for 180 to 360 days	3,364	(107)	3,257	3.18
Overdue for more than 360 days	33,832	(15,919)	17,913	47.05
POCI	18,436	748	19,184	(4.06)
Total other loans secured by collateral	152,225	(15,924)	136,301	10.46
Total individually insignificant loans	583,400	(65,471)	517,929	11.22

Analysis of movements in ECL allowance

An analysis of movements in the ECL allowance on individually insignificant corporate loans for the three months ended 31 March 2021 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(602)	(140)	(9,074)	(131)	(9,947)
New assets originated or purchased	(413)	—	—	—	(413)
Assets derecognised or repaid (excluding write-offs)	219	4	667	16	906
Transfers to Stage 1	—	—	—	—	—
Transfers to Stage 2	—	—	—	—	—
Transfers to Stage 3	2	136	(138)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(16)	(56)	(551)	(559)	(1,182)
Transfer between categories of loan significance	19	—	565	—	584
Unwinding of discount	—	—	(320)	—	(320)
Recoveries	—	—	(664)	(1)	(665)
Write-off	—	—	600	233	833
Effect from changes in exchange rates	—	—	—	—	—
As at 31 March 2021	(791)	(56)	(8,915)	(442)	(10,204)

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

An analysis of movements in ECL allowance (continued)

An analysis of movements in the ECL allowance on individually insignificant corporate loans for the three months ended 31 March 2020 is as follows:

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

An analysis of movements in the ECL allowance on mortgage loans for the three months ended 31 March 2021 is as follows:

<i>Mortgage loans</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(27)	(2)	(10,722)	501	(10,250)
New assets originated or purchased	(49)	-	-	-	(49)
Assets derecognised or repaid (excluding write-offs)	3	85	221	116	425
Transfers to Stage 1	(13)	1	12	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	68	(83)	(117)	(492)	(624)
Unwinding of discount	-	-	(462)	-	(462)
Recoveries	-	-	(272)	(6)	(278)
Write-off	-	-	569	431	1,000
Effect from changes in exchange rates	-	-	-	-	-
As at 31 March 2021	(18)	1	(10,771)	550	(10,238)

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in ECL allowance (continued)

An analysis of movements in the ECL allowance on mortgage loans for the three months ended 31 March 2020 is as follows:

<i>Mortgage loans</i>	<i>For the three-month period ended 31 March 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	(10)	–	–	–	(10)
Assets derecognised or repaid (excluding write-offs)	–	–	383	–	383
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	1	(1)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(8)	(11)	(2,521)	555	(1,985)
Unwinding of discount	–	–	(411)	–	(411)
Recoveries	–	–	(363)	–	(363)
Write-off	–	–	2,083	–	2,083
Effect from changes in exchange rates	–	–	(238)	–	(238)
At 31 March 2020	(98)	(21)	(10,724)	1,667	(9,176)

An analysis of movements in the ECL allowance on consumer loans for the three months ended 31 March 2021 is as follows:

<i>Consumer loans</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(7,329)	(2,867)	(17,593)	(55)	(27,844)
New assets originated or purchased	(625)	–	–	–	(625)
Assets derecognised or repaid (excluding write-offs)	279	15	836	77	1,207
Transfers to Stage 1	(1,240)	682	558	–	–
Transfers to Stage 2	158	(236)	78	–	–
Transfers to Stage 3	132	1,551	(1,683)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	1,728	(1,770)	(1,586)	(22)	(1,650)
Unwinding of discount	–	–	(1,025)	–	(1,025)
Recoveries	–	–	(788)	–	(788)
Write-off	–	–	6,678	–	6,678
Effect from changes in exchange rates	–	–	–	–	–
As at 31 March 2021	(6,897)	(2,625)	(14,525)	–	(24,047)

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in ECL allowance (continued)

An analysis of movements in the ECL allowance on consumer loans for the three months ended 31 March 2020 is as follows:

<i>Consumer loans</i>	<i>For the three-month period ended 31 March 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	(804)	-	-	-	(804)
Assets derecognised or repaid (excluding write-offs)	286	18	138	-	442
Transfers to Stage 1	(324)	221	103	-	-
Transfers to Stage 2	80	(111)	31	-	-
Transfers to Stage 3	28	987	(1,015)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(2,595)	(1,915)	(1,365)	-	(5,875)
Unwinding of discount	-	-	(445)	-	(445)
Recoveries	-	-	(15)	-	(15)
Write-off	-	-	916	-	916
Effect from changes in exchange rates			(11)	-	(11)
At 31 March 2020	(7,335)	(2,403)	(5,970)		(15,708)

An analysis of movements in the ECL allowance on car loans for the three months ended 31 March 2021 is as follows:

<i>Car loans</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(1)		(131)	-	(132)
New assets originated or purchased	-	-	-	-	-
Assets derecognised or repaid (excluding write-offs)	-	-	36	-	36
Impact on period end ECL of changes to inputs used for ECL calculations during the period	1	-	(30)	-	(29)
Unwinding of discount	-	-	(6)	-	(6)
Recoveries	-	-	(36)	-	(36)
Write-off	-	-	7	-	7
Effect from changes in exchange rates	-	-	-	-	-
As at 31 March 2021	-	-	(160)	-	(160)

An analysis of movements in the ECL allowance on car loans for the three months ended 31 March 2020 is as follows:

<i>Car loans</i>	<i>For the three-month period ended 31 March 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)
Assets derecognised or repaid (excluding write-offs)			30	-	30
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period			(111)	-	(111)
Unwinding of discount	-	-	(5)	-	(5)
Recoveries	-	-	(30)	-	(30)
Write-off	-	-	60	-	60
At 31 March 2020	-	-	(147)	-	(147)

(millions of tenge)

13. Loans to customers (continued)**Quality of individually insignificant loans (continued)***Analysis of movements in ECL allowance (continued)*

An analysis of movements in the ECL allowance on credit card loans for the three months ended 31 March 2021 is as follows:

<i>Credit cards</i>	<i>For the three-month period ended 31 March 2021</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2021	(523)	(114)	(737)	-	(1,374)
New assets originated or purchased	(60)	-	-	-	(60)
Assets derecognised or repaid (excluding write-offs)	223	4	9	-	236
Transfers to Stage 1	(47)	23	24	-	-
Transfers to Stage 2	4	(4)	-	-	-
Transfers to Stage 3	8	36	(44)	-	-
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(131)	(71)	(187)	-	(389)
Unwinding of discount	-	-	(25)	-	(25)
Recoveries	-	-	-	-	-
Write-off	-	-	26	-	26
Effect from changes in exchange rates	-	-	-	-	-
As at 31 March 2021	(526)	(126)	(934)	-	(1,586)

An analysis of movements in the ECL allowance on credit cards for the three months ended 31 March 2020 is as follows:

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

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in ECL allowance (continued)

An analysis of movements in the ECL allowance on other loans secured by collateral for the three months ended 31 March 2021 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three-month period ended 31 March 2021 (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 2021	(73)	(17)	(16,247)	412	(15,924)
New assets originated or purchased	(84)	—	—	—	(84)
Assets derecognised or repaid (excluding write-offs)	98	94	123	353	668
Transfers to Stage 1	(6)	1	5	—	—
Transfers to Stage 2	4	(23)	19	—	—
Transfers to Stage 3	—	2	(2)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	(22)	(135)	(932)	576	(513)
Unwinding of discount	—	—	(824)	—	(824)
Recoveries	—	—	(119)	(305)	(424)
Write-off	—	—	1,231	936	2,167
Effect from changes in exchange rates	—	—	—	—	—
As at 31 March 2021	(82)	(78)	(16,746)	1,972	(14,934)

An analysis of movements in the ECL allowance on other loans secured by collateral for the three months ended 31 March 2020 is as follows:

<i>Other loans secured by collateral</i>	<i>For the three-month period ended 31 March 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	(115)	—	—	—	(115)
Assets derecognised or repaid (excluding write-offs)	—	—	935	—	935
Transfers to Stage 1	(14)	6	8	—	—
Transfers to Stage 2	7	(14)	7	—	—
Transfers to Stage 3	—	2	(2)	—	—
Impact on period end ECL of exposures transferred between stages and changes to inputs used for measuring ECL during the period	107	(19)	(3,631)	696	(2,847)
Unwinding of discount	—	—	(840)	—	(840)
Recoveries	—	—	(729)	—	(729)
Write-off	—	—	3,701	—	3,701
Effect from changes in exchange rates	—	—	(1,656)	—	(1,656)
At 31 March 2020	(147)	(53)	(18,770)	2,457	(16,513)

Non-performing loans include loans that were credit impaired as at 1 October 2014 and were transferred to the Bank's bad debts division. As at 31 March 2021, the share of non-overdue non-performing loans to customers in Stage 3 and POCI is 33.93% (31 December 2020: 28.05%). The share of loans with highly liquid collateral in the form of deposits and cash is 11.67% of the total loan value before the ECL allowance in Stage 3 and POCI (31 December 2020: 9.14%).

13. Loans to customers (continued)

Quality of individually insignificant loans (continued)

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised for the periods ended on 31 March 2021 and 2020 were as follows:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Mortgage loans	61	251
Other loans secured by collateral	104	398
Total undiscounted ECL at initial recognition of POCI	165	649

Modified and restructured loans

The Group has introduced certain changes to the process for assessing expected credit losses due to the ongoing COVID-19 pandemic. In particular, it revised the indicators of a significant increase in credit risk and did not automatically conclude that there was a significant increase in credit risk following the loan modification as a result of government support measures. The Group also updated forward-looking information, including forecasts of macroeconomic indicators. As at 31 March 2021, the Group's management made additional adjustments to the already recognised expected credit losses in the amount of KZT 1,686 million.

Below is information on loans to customers who, during 2020, were provided with a deferral of repayment of principal and remuneration due to the consequences of the COVID-19 pandemic, as of 31 March 2021:

	<i>31 March 2021 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	10,641	—	28,982	—	39,623
Corporate loans	25,456	552	9,672	—	35,680
Mortgage loans	4,879	169	626	1,798	7,472
Consumer loans	23,004	1,352	8,748	—	33,104
Car loans	84	—	—	—	84
Other loans secured by collateral	25,727	1,447	5,430	2,890	35,494
Loans to customers before ECL allowance	89,791	3,520	53,458	4,688	151,457

Below is information on loans to customers who, during 2020, were provided with a deferral of repayment of principal and remuneration due to the consequences of the COVID-19 pandemic, as of 31 December 2020:

	<i>31 December 2020</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans	11,126	932	30,264	—	42,322
Corporate loans	31,408	1,033	10,463	—	42,904
Mortgage loans	5,749	293	610	1,783	8,435
Consumer loans	27,112	1,874	7,914	—	36,900
Car loans	94	—	—	—	94
Other loans secured by collateral	29,571	1,434	5,668	2,847	39,520
Loans to customers before ECL allowance	105,060	5,566	54,919	4,630	170,175

As at March 31, 2021, the share of non-overdue Stage 3 and POCI loans to customers who have received deferred payments due to the COVID-19 pandemic is 69.16% (31 December 2020: 53.86%).

Collateral and other credit enhancements

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

13. Loans to customers (continued)

Collateral and other credit enhancements (continued)

Guarantees and suretyship from individuals including shareholders of borrowers represented by small and medium-sized businesses are not taken into account in impairment assessment.

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

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

The main types of collateral obtained are as follows:

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

As at 31 March 2021, loans net of ECL allowance overdue over 90 days amounted to KZT 64,146 million (31 December 2020: KZT 55,157 million). As at 31 March 2021, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 72,123 million (31 December 2020: KZT 69,011 million).

Repossessed collateral

For the three-month period ended 31 March 2021, the Group received a property, accounted within other assets, with the carrying amount of KZT 1,073 million (three-month period ended 31 March 2020: KZT 1,736 million) by obtaining control over collateral for loans issued to customers. The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 31 March 2021, the Group had a concentration of loans represented by KZT 139,692 thousand due from the ten largest independent borrowers or 17.1% of gross loan portfolio (31 December 2020: KZT 130,709 million or 15.7% of gross loan portfolio). As at 31 March 2021, ECL allowance on these loans is KZT 2,613 million (31 December 2020: KZT 2,431 million).

Industry and geographical analysis of loans

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

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Loans to retail customers	386,750	419,821
Metallurgy	65,126	60,180
Wholesale trading	52,313	48,433
Real estate activities	50,313	49,556
Services provided by small and medium businesses	45,752	44,486
Retail services	37,379	35,793
Food industry	25,407	20,514
Construction	20,822	20,475
Financial services	19,597	20,831
Transportation	17,512	16,543
Post and communication services	11,132	6,100
Textile production	7,975	7,154
Agriculture	6,799	6,752
Production of metal goods	3,730	3,026
Production of crude oil and natural gas	3,267	5,924
Chemical industry	2,820	2,326
Manufacturing	1,890	1,924
Heavy industry	525	554
Other	59,526	61,635
	818,635	833,027
ECL allowance	(78,858)	(83,285)
	739,777	749,742

13. Loans to customers (continued)

Net investments in finance leases

As at 31 March 2021 and 31 December 2020, loans issued to customers include financial lease receivable in the amount of KZT 5,845 million and KZT 5,864 million, respectively.

	<i>As at 31 March 2021 (unaudited)</i>	<i>As at 31 December 2020</i>
Minimum lease payments receivable	7,623	7,336
Unearned finance income	(1,444)	(1,130)
Net minimum lease payments receivable	6,179	6,206
Less: ECL allowance	(334)	(642)
Net investments in finance leases	5,845	5,864
Current portion of minimum lease payments	4,172	4,010
Current portion of unearned finance income	(713)	(276)
Current portion of net minimum lease payments receivable	3,459	3,734
Long-term portion of minimum lease payments	3,451	3,326
Long-term portion of unearned finance income	(731)	(854)
Long-term portion of net minimum lease payments receivable	2,720	2,472
Net minimum lease payments receivable	6,179	6,206

14. Investment securities

Investment securities, including those pledged under repurchase agreements, are as follows:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Debt investment securities at amortised cost		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	31,310	6,543
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB	17,391	17,128
Bonds of foreign countries rated at BB- to BB+	866	848
Total government bonds	49,567	24,519
Corporate bonds		
Rated from BBB- to BBB+	88,697	82,935
Rated from BB- to BB+	164,396	160,804
Total corporate bonds	253,093	243,739
Bonds of banks		
Rated from BB- to BB+	1,662	1,639
Rated from B- to B+	5,175	5,208
Total bonds of banks	6,837	6,847
Investment securities measured at amortised cost before ECL allowance	309,497	275,105
ECL allowance	(698)	(932)
Investment securities measured at amortised cost	308,799	274,173

14. Investment securities (continued)

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Debt securities at FVOCI		
Government bonds		
Bonds of the National Bank of the Republic of Kazakhstan rated BBB-	109,081	91,083
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB	302,161	276,764
Bonds of the Sultanate of Oman rated at BB	1,292	1,265
Total government bonds	412,534	369,112
Corporate bonds		
Rated from BBB- to BBB+	107,960	81,341
Rated from BB- to BB+	440	435
Total corporate bonds	108,400	81,776
Bonds of banks		
Rated from BBB- to BBB+	14,241	12,124
Rated from BB- to BB+	12,898	38,455
Rated below B+	4,717	4,455
Total bonds of banks	31,856	55,034
Investment securities measured at FVOCI	552,790	505,922

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

As at 31 March 2021, investment securities at FVOCI represented by treasury bonds of the Ministry of Finance of the Republic of Kazakhstan and notes of the NBRK with a fair value of KZT 14,030 million and KZT 4,816 million, respectively, were pledged under repurchase agreements concluded on the KASE.

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

In 2018 and 2019, the Group purchased bonds of NAC Kazatomprom JSC, Sovereign Wealth Fund Samruk-Kazyna JSC and Kazakhstan Temir Zholy JSC, classified as investment securities at amortized cost. As of 31 March 2021, the total carrying amount of these bonds was KZT 241,536 million (as at 31 December 2020: KZT 236,933 million).

The Group's debt securities issued held by SWF Samruk-Kazyna JSC (*Note 18*), with a total nominal value of KZT 220,000 million, serve as collateral for liabilities to the Group on the above mentioned bonds.

15. Other assets

Other assets comprise:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Other receivables from bank activities	11,834	13,558
Other accounts receivables	16,105	14,940
	<u>27,939</u>	<u>28,498</u>
ECL allowance	(3,115)	(4,294)
Other financial assets	24,824	24,204
Repossessed collateral	47,813	51,694
Prepayments and prepaid expenses	5,205	4,485
Investment property	2,935	2,908
Prepaid taxes, other than corporate income tax	2,591	2,766
Inventories held for sale	1,956	1,956
Other inventories	906	1,001
Other	913	765
	<u>62,319</u>	<u>65,575</u>
Allowance for impairment	(37)	(44)
Other non-financial assets	62,282	65,531
Total other assets	87,106	89,735

During the three-month period ended 31 March 2021, the total estimated value of the collateral transferred to the Group was KZT 1,073 million (three-month period ended 31 March 2020: KZT 1,736 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.

16. Current accounts and deposits of customers

Current accounts and deposits of customers comprise:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Current accounts and demand deposits		
- Retail customers	73,015	84,652
- Corporate customers	479,260	369,583
Time deposits		
- Retail customers	475,663	437,787
- Corporate customers	491,093	419,687
Guarantee deposits		
Retail customers	16,981	18,148
Corporate customers	51,243	57,310
	<u>1,587,255</u>	<u>1,387,167</u>
Current accounts and deposits held as security against letters of credit and guarantees (Note 23)	(4,362)	(483)

16. Current accounts and deposits of customers (continued)

Concentration of current accounts and deposits of customers

As at 31 March 2021, total amount of account balances of top ten clients amounted to KZT 470,026 million or 29.6% of total current accounts and deposits of customers (31 December 2020: KZT 300,912 million or 21.7%).

As at 31 March 2021 time deposits include deposits of individuals in the amount of KZT 224,790 million (31 December 2020: KZT 232,166 million) with 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.

17. Amounts due to banks and other financial institutions

Amounts due to banks and other financial institutions comprise:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Loans from governmental organisations	47,932	48,565
Liabilities due to Kazakhstan Sustainability Fund JSC	71,436	57,422
Loans from other financial institutions	22,585	22,553
Current accounts and deposits of banks	—	1,930
	141,953	130,470

As at 31 March 2021, loans from governmental organisations included loans from Entrepreneurship Development Fund "Damu" JSC and Kazakhstan Development Bank JSC in the amount of KZT 32,301 million and KZT 13,064 million, respectively (as at 31 December 2020: KZT 32,417 million and KZT 13,015 million, respectively), as part of the state program to support small and medium-sized businesses by the banking sector. Loans are denominated in tenge, have nominal interest rates from 1.00% to 9.00% per annum and mature in 2021-2035.

As at 31 March 2021, liabilities to the Kazakhstan Sustainability Fund JSC included funds in the amount of KZT 60,708 million (31 December 2020: KZT 46,756 million) received as part of the implementation of measures of the Government of the Republic of Kazakhstan to support small and medium-sized businesses affected by the COVID-19 pandemic. These liabilities include deposits, denominated in tenge in the amount of KZT 21,874 million with a nominal rate of 5.00% per annum and maturing in 2021 and funds in the amount of KZT 38,834 million that are not subject to accrual and payment of interest is not provided for until the above funds are utilised by the Bank (as at 31 December 2020: KZT 18,967 million and KZT 27,789 million, respectively) (Note 11).

As at 31 March 2021, liabilities due to Kazakhstan Sustainability Fund JSC also include deposits in the amount of KZT 10,728 million (31 December 2020: KZT 10,666 million) as part of the governmental program for refinancing of mortgage and housing loans to customers. In 2020, this program was changed in terms of providing additional aid to mortgage borrowers belonging to the category of socially vulnerable segments of the population, as well as unilateral conversion of foreign currency mortgage loans into tenge. Deposits are denominated in tenge, have nominal interest rates from 0.10% to 2.00% per annum and mature in 2038-2050. The fair value of deposits attracted at initial recognition was determined by the Group using market rate of 14.07% (for the three-month period ended 31 March 2020: 13.50% per annum). The fair value of mortgage loans upon derecognition as a result of significant modification was determined by the Group using market rates of 18.07% per annum (for the three-month period ended 31 March 2020: from 17.53% per annum). For the three-month period ended 31 March 2021, the Group recognised net loss from government grants less loss on derecognition of loans to customers in the amount of KZT 112 million in the interim condensed consolidated statement of comprehensive income (for the three-month period ended 31 March 2020: KZT 910 million).

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

As at 31 March 2021 loans from other financial institutions are represented by loans in the amount of KZT 22,585 million (as at 31 December 2020: KZT 22,553 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in KZT, bear interest rates from 8.85% per annum and mature in 2023. As at 31 March 2021, a deposit in the amount of KZT 25,484 million placed by the Bank with the EBRD acts as collateral for these liabilities (as at 31 December 2020: KZT 25,245 million) (Note 11).

18. Debt securities issued

Debt securities issued comprise:

	<i>Maturity</i>	<i>Coupon rate</i>	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Bonds denominated in US dollars				
Bonds issued in 2019	2023	3.00%	17,113	16,829
Eurobonds issued in 2010	2023	4.4%	15,811	15,136
			32,924	31,965
Bonds denominated in tenge				
Bonds issued in 2018	2024	4.00%	164,941	159,837
Bonds issued in 2015	2025	10.13%	47,291	48,400
			212,232	208,237
			248,156	240,202

In September 2018, the Bank issued debt securities with a total nominal value of KZT 220,000 million with a coupon rate of 4% per annum and maturity in 2024. The securities were acquired by Sovereign Wealth Fund Samruk-Kazyna JSC in exchange for KZT 230,000 million deposit placed with the Bank on similar terms.

19. Subordinated debt

As at 31 March 2021 and 31 December 2020, subordinated debt securities include issued subordinated bonds comprised of subordinated bonds denominated in tenge, with maturity in 2021-2031 and a fixed coupon rate of 8% per annum. The coupon is paid semi-annually.

20. Share capital

The number of authorised, placed and outstanding common shares and share capital as at 31 March 2021 and 31 December 2020 are as follows:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</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)	(3,391,835,697)
Number of outstanding shares	88,995,268,392	88,995,268,392
Total share capital, millions of tenge	327,555	327,555

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

	<i>Quantity common shares</i>	<i>Placement value of common shares</i>
At 1 January 2021		
Repurchase of own shares (unaudited)	—	—
At 31 March 2021 (unaudited)	88,995,268,392	327,555
At 1 January 2020		
Repurchase of own shares (unaudited)	(498,312,880)	(822)
At 31 March 2020 (unaudited)	89,493,581,372	328,377

In accordance with the decision of shareholders dated 29 March 2021, the Bank declared dividends on ordinary shares for the year ended 31 December 2020 in the amount of KZT 52,961 million, of which KZT 52,959 million were paid as at 31 March 2021.

During the three month period ended 31 March 2020, no dividends were declared or paid.

21. 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-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Ner profit attributable to shareholders of the Bank	16,424	20,781
The average weighted number of common shares for the three-month period ended 31 March	88,995,268,392	89,482,629,341
Basic and diluted earnings per share,tenge	0,18	0,23

As at 31 March 2021 and 31 March 2020, the Group did not have any financial instruments diluting earnings per share.

22. Capital management

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

As at 31 March 2021 and 31 December 2020, the Bank had complied in full with all its externally imposed capital requirements.

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

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

The NBRK sets and monitors capital requirements for the Bank.

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 (charter capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 31 March 2021 and 31 December 2020:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (unaudited)</i>
Tier 1 capital	204,851	244,336
Tier 2 capital	14,839	14,839
Total capital	219,690	259,175
Risk-weighted statutory assets, contingent liabilities, operational and market risk	1,166,952	1,164,668
Ratio k1	17.6%	21.0%
Ratio k1-2	17.6%	21.0%
Ratio k2	18.8%	22.3%

23. 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. The management of the Bank believes that it is taking appropriate measures to maintain the economic stability of the Group in the current conditions.

Credit related commitments

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

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

In providing financial guarantees, 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.

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020</i>
Undrawn loan commitments	141,826	147,045
Guarantees issued	67,938	47,522
Letters of credit	4,677	764
	214,441	195,331
Less: current accounts and deposits held as security against letters of credit and guarantees (<i>Note 16</i>)	(4,362)	(483)
Less: allowance for expected losses	(1,531)	(734)
	208,548	194,114

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 reference rate, inflation, exchange rates and other conditions.

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

Legal proceedings

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

Taxation contingencies

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

23. Commitments and contingencies (continued)

Taxation contingencies (continued)

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.

24. Related party transactions

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

Total remuneration to 13 members of the Management Board and Board of Directors included in general and administrative expenses for three-month period ended 31 March 2021 and 2020 is as follows:

	<i>For the three-month period ended 31 March</i>	
	<i>2021 (unaudited)</i>	<i>2020 (unaudited)</i>
Members of the Board of Directors and Management Board of the Group	227	196
	227	196

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

Transactions with other related parties

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 31 March 2021 and related profit or loss for the three-month period ended 31 March 2021 from transactions with related parties are as follows:

	<i>31 March 2021 (unaudited)</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>
Assets						
Loans to customers	—	—	—	—	4,284	5
Other assets	—	—	51	—	50	—
						101
Liabilities						
Current accounts and deposits of customers	48,711	7.76	15,941	0.87	9,552	0.26
Other liabilities	—	—	30	—	43	—
Contingencies	—	—	—	—	183	—
						183
<i>For the three-month period ended 31 March 2021 (unaudited)</i>						
	<i>Shareholders</i>		<i>Entities under common control</i>		<i>Other related parties</i>	
						<i>Total</i>
Income/(expense)						
Interest income	—	—	—	—	58	58
Interest expense	(22)	—	(27)	—	(28)	(77)
Fee and commission income	—	—	9	—	2	11
Other expense	—	—	(66)	—	(161)	(227)

24. Related party disclosures (continued)

Transactions with other related parties (continued)

The outstanding balances and the related average effective rates as at 31 December 2020, and related income or loss from transactions with related parties for three-month period ended 31 March 2020, are as follows:

	31 December 2020						
	Shareholders		Entities under common control		Other related parties		Total
	In million Tenge	Average interest rate, (%)	In million Tenge	Average interest rate, (%)	In million Tenge	Average interest rate, (%)	In million Tenge
Assets							
Loans to customers	—	—	—	—	4,245	3.00-17.50	4,245
Other assets	—	—	19	—	1	—	20
Liabilities							
Current accounts and deposits of customers	12,159	1.00	12,841	1.53	12,026	0.28	37,026
Other liabilities	—	—	16	—	—	—	16
Contingencies	—	—	—	—	(92)	—	192
For the three-month period ended 31 March 2020 (unaudited)							
Income/(expense)	Shareholders		Entities under common control		Other related parties		Total
	Interest income	—	—	—	59	—	59
Interest expense	—	(27)	—	(17)	(4)	—	(48)
Fee and commission income	—	1	—	11	2	—	14
Other expense	—	—	—	(27)	(10)	—	(37)

25. 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 non-core activities debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investment Activities).

25. Segment information (continued)

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

	<i>31 March 2021 (unaudited)</i>				
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>
Assets					
Cash and cash equivalents	72,556	44,558	71,658	218,818	7,871
Amounts due from financial institutions	—	—	—	86,826	—
Trading securities	—	—	—	1,863	—
Loans to customers	164,284	227,331	302,219	—	45,943
Investment securities	—	—	—	861,589	—
Property and equipment	—	—	—	—	65,054
Intangible assets	—	—	—	—	11,299
Other assets	36	277	1,077	6	85,710
Total assets	236,875	272,166	374,954	1,169,102	215,877
Liabilities					
Current accounts and deposits of customers	716,512	298,520	572,220	—	2
Amounts due to banks and other financial institutions	10,581	113,983	661	5,006	11,722
Amounts payable under repurchase agreements	—	—	—	18,115	—
Debt securities issued	—	—	17,112	164,941	63,103
Deferred tax liabilities	—	—	—	—	11,475
Subordinated debt	—	—	—	—	20,789
Other liabilities	404	1,123	938	624	13,230
Total liabilities	727,497	413,626	590,931	188,686	120,322
Equity					
Share capital	—	—	—	—	332,815
Additional paid-in capital	—	—	—	—	21,109
Treasury shares	—	—	—	—	(5,260)
Fair value reserve	—	—	—	—	10,325
Accumulated losses	—	—	—	—	(131,077)
Total equity attributable to shareholders of the Bank	—	—	—	—	227,912

25. Segment information (continued)

	<i>31 December 2020</i>					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Assets						
Cash and cash equivalents	48,041	38,994	60,537	156,031	8,029	311,632
Amounts due from financial institutions	—	—	—	73,707	—	73,707
Trading securities:	—	—	—	7,377	—	7,377
Loans to customers	143,901	209,286	332,956	—	63,599	749,742
Investment securities	—	—	—	780,095	—	780,095
Property and equipment	—	—	—	—	65,814	65,814
Intangible assets	—	—	—	—	11,162	11,162
Other assets	35	430	2,214	1,135	85,921	89,735
Total assets	191,977	248,710	395,707	1,018,345	234,325	3,089,264
Liabilities						
Current accounts and deposits of customers	525,121	313,218	548,827	—	1	1,387,167
Amounts due to banks and other financial institutions	12,677	99,258	5,156	2,955	10,424	130,470
Amounts payable under repurchase agreements	—	—	—	21,670	—	21,670
Debt securities issued	—	—	16,827	159,837	63,538	240,202
Deferred tax liabilities	—	—	—	—	11,171	11,171
Subordinated debt	—	—	—	—	20,503	20,503
Other liabilities	331	482	2,800	22	11,115	14,750
Total liabilities	538,129	412,958	573,610	184,484	116,752	1,825,933
Equity						
Share capital	—	—	—	—	332,815	332,815
Additional paid-in capital	—	—	—	—	21,109	21,109
Treasury shares	—	—	—	—	(5,260)	(5,260)
Fair value reserve	—	—	—	—	9,207	9,207
Accumulated losses	—	—	—	—	(94,540)	(94,540)
Total equity attributable to shareholders of the Bank	—	—	—	—	263,331	263,331

25. Segment information (continued)

Information on the main reporting segments for the three-month period ended 31 March 2021 and 2020 is as follows:

	<i>For the three-month period ended 31 March 2021 (unaudited)</i>					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	3,100	7,307	17,063	17,189	745	45,404
Interest expense	(5,702)	(2,492)	(5,375)	(5,425)	(2,639)	(21,633)
Net interest income	(2,602)	4,815	11,688	11,764	(1,894)	23,771
Fee and commission income	562	5,136	3,433	5	1	9,137
Fee and commission expense	(224)	(2,738)	(1,342)	(40)	(3)	(4,347)
Net income on transactions with financial instruments at fair value through profit or loss	—	—	—	402	—	402
Net loss on derecognition of investment securities at fair value through other comprehensive income	—	—	—	(94)	—	(94)
Net gains from foreign currencies	800	899	442	44	3	2,188
Other income	136	150	169	—	469	924
Non-interest income	1,274	3,447	2,702	317	479	8,210
(Credit loss expenses) / gains from decrease in credit loss allowances	(330)	(1,290)	(3,064)	316	1,664	(2,704)
Net (loss)/gain on derecognition of financial assets measured at amortised cost	—	—	(310)	—	(2)	(112)
General and administrative expenses	(630)	(2,369)	(5,448)	(436)	(2,274)	(11,157)
Other expense	(6)	(46)	(698)	(14)	(387)	(1,151)
Non-interest expense	(966)	(3,705)	(9,320)	(134)	(999)	(15,124)
(Loss)/profit before corporate income tax expense	(2,294)	4,557	5,070	11,947	(2,423)	16,857
Corporate income tax expense	—	(86)	(120)	(227)	—	(433)
(Loss)/profit for the period	(2,294)	4,471	4,950	11,720	(2,423)	16,424

25. Segment information (continued)

	<i>For the three-month period ended 31 March 2020 (unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	2,180	6,534	19,187	13,982	3,197	45,880
Interest expense	(5,834)	(2,241)	(6,832)	(5,770)	(1,732)	(22,409)
Net interest income	(3,654)	4,293	12,355	8,212	1,465	22,671
Fee and commission income	410	4,025	3,614	54	374	8,477
Fee and commission expense	(187)	(1,330)	(1,773)	(47)	(141)	(3,478)
Net profit from financial instruments at fair value through profit or loss	—	—	—	393	—	393
Net gains/(losses) on transactions in foreign currencies	939	1,797	1,297	(3,770)	2,520	2,783
Net gains on derecognition of investment securities at fair value through other comprehensive income	—	—	—	1	—	1
Net gains on derecognition of financial liabilities as a result of modification	5	—	493	—	17,458	17,956
Other income	—	21	68	—	803	892
Non-interest income	1,167	4,513	3,699	(3,369)	21,014	27,024
Credit loss expense	(282)	(423)	(5,598)	(602)	(1,716)	(8,621)
Net loss on derecognition of financial assets measured at amortised cost	—	—	(45)	—	(865)	(910)
General and administrative expenses	(416)	(2,507)	(5,866)	(467)	(1,937)	(11,193)
Other expense	(13)	(163)	(759)	(10)	(974)	(1,919)
Non-interest expense	(711)	(3,093)	(12,268)	(1,079)	(5,492)	(22,643)
Profit/(loss) before corporate income tax expense	(3,198)	5,713	3,786	3,764	16,987	27,052
Corporate income tax expense	—	(1,184)	(784)	(780)	(3,523)	(6,271)
(Loss)/profit for the period	(3,198)	4,529	3,002	2,984	13,464	20,781

26. Fair values of financial instruments

Accounting classification and fair value

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 March 2021:

		<i>31 March 2021 (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 values</i>	<i>Unrecognised gain/(loss)</i>
Cash and cash equivalents	—	415,460	415,460	415,460	—
Amounts due from financial institutions	—	86,826	86,826	86,826	—
Trading securities	1,863	—	1,863	1,863	—
Loans to customers	—	739,777	739,777	747,277	7,500
Investment securities measured at FVOCI	552,790	—	552,790	552,790	—
Investment securities measured at amortised cost	—	308,799	308,799	316,614	7,815
Other financial assets	—	24,824	24,824	24,824	—
	554,653	1,575,686	2,130,339	2,145,654	15,315
Current accounts and deposits of customers	—	1,587,255	1,587,255	1,588,836	(1,581)
Amounts due to banks and other financial institutions	—	141,953	141,953	135,882	6,071
Amounts payable under repurchase agreements	—	18,115	18,115	18,846	(731)
Debt securities issued	—	245,156	245,156	245,272	(116)
Subordinated debt	—	20,789	20,789	20,399	390
Other financial liabilities	—	12,247	12,247	12,247	—
	—	2,025,515	2,025,515	2,021,462	4,033
					19,348

26. Fair values of financial instruments (continued)

Accounting classification and fair values (continued)

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

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

The 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 organised market for the sale of an asset or transfer a liability between market participants at the measurement date.

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

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

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

26. Fair values of financial instruments (continued)

Accounting classification and fair values (continued)

Assets for which fair value approximates their 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 fair 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 4.79% p.a. to 13.65% p.a. (31 December 2020: 5.20% p.a. to 13.88% p.a.) was used;
- To calculate the future cash flows from loans to individuals a discount rate of 24.52% p.a. (as at 31 December 2020: 3.85% p.a. to 20.78% p.a.) was used.

Fair value hierarchy

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

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

The following table analyses financial instruments carried at fair value as at 31 March 2021, by fair value hierarchy, into which the fair value measurement is categorised.

	Notes	<i>31 March 2021 (unaudited)</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	12	—	—	1,863	1,863
Investment securities at FVOCI	14	412,534	140,256	—	552,790
		412,534	140,256	1,863	554,653

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

	Notes	<i>31 December 2020</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	12	5,937	—	1,440	7,377
Investment securities at FVOCI	14	369,112	136,810	—	505,922
		375,049	136,810	1,440	513,299

26. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments not measured at fair value as at 31 March 2021, by fair value hierarchy, into which the fair value measurement is categorised:

	31 March 2021 (unaudited)			Total fair value	Total carrying value
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	—	415,460	—	415,460	415,460
Amounts due from financial institutions	—	86,826	—	86,826	86,826
Loans to customers	—	—	747,277	747,277	739,777
Investment securities at amortised cost	51,601	265,013	—	316,614	308,799
Other financial assets	—	24,824	—	24,824	24,824
Liabilities					
Current accounts and deposits of customers	—	1,588,836	—	1,588,836	1,587,255
Amounts due to banks and other financial institutions	—	135,882	—	135,882	141,953
Amounts payable under repurchase agreements	—	18,846	—	18,846	18,115
Debt securities issued	—	245,272	—	245,272	245,156
Subordinated debt	—	20,399	—	20,399	20,789
Other financial liabilities	—	12,247	—	12,247	12,247

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

	31 December 2020			Total fair value	Total carrying value
	Level 1	Level 2	Level 3		
Assets					
Cash and cash equivalents	—	311,632	—	311,632	311,632
Amounts due from financial institutions	—	73,707	—	73,707	73,707
Loans to customers	—	—	753,405	753,405	749,742
Investment securities at amortised cost	28,653	259,552	—	288,205	274,173
Other financial assets	—	24,204	—	24,204	24,204
Liabilities					
Current accounts and deposits of customers	—	1,389,323	—	1,389,323	1,387,167
Amounts due to banks and other financial institutions	—	119,642	—	119,642	130,470
Amounts payable under repurchase agreements	—	23,466	—	23,466	21,670
Debt securities issued	—	240,577	—	240,577	240,202
Subordinated debt	—	20,314	—	20,314	20,503
Other financial liabilities	—	12,014	—	12,014	12,014