

ForteBank Joint Stock Company

Interim condensed consolidated financial statements

30 June 2020
with report on review of interim financial information

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Report on Review of Interim Financial Information

To the shareholders and Board of Directors of ForteBank JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ForteBank JSC and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020, the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.


Scope of review

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

Conclusion

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

Ernst & Young LLP



Paul Cohn
Audit Partner



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Auditor



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28 August 2020



Rustamzhan Sattarov
General Director
Ernst & Young LLP

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the territory of the Republic of Kazakhstan:
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

(millions of tenge)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest revenue calculated using the effective interest rate	5	44,553	39,515	89,565	74,314
Other interest revenue	5	74	67	142	169
Interest expense	5	(21,565)	(21,639)	(43,974)	(40,940)
Net interest income		23,062	17,943	45,733	33,543
Fee and commission income	6	7,452	8,000	15,929	13,964
Fee and commission expense	6	(3,061)	(2,445)	(6,539)	(4,372)
Net losses from financial instruments at fair value through profit or loss		(641)	(1,344)	(248)	(1,963)
Net gains/(losses) on derecognition of investment securities at fair value through other comprehensive income		22	(76)	23	(53)
Net gains/(losses) from foreign currencies	7	3,565	(527)	6,348	285
Net gain on derecognition of financial liabilities as a result of modification	18	—	—	17,956	—
Other income		1,377	1,018	2,269	1,818
Non-interest income		8,714	4,626	35,738	9,679
(Credit loss expense)/ reversal of credit loss allowances	8	(9,703)	413	(18,324)	(1,401)
General and administrative expenses	9	(11,000)	(9,739)	(22,193)	(19,288)
Other expenses		(3,299)	(2,723)	(6,128)	(4,586)
Non-interest expense		(24,002)	(12,049)	(46,645)	(25,275)
Profit before corporate income tax benefit/(expense)		7,774	10,520	34,826	17,947
Corporate income tax benefit/(expense)	10	2,491	(971)	(3,780)	(1,902)
Profit for the period		10,265	9,549	31,046	16,045
Attributable to:					
- Shareholders of the Bank		10,265	9,562	31,046	16,040
- Non-controlling interests		—	(13)	—	5
		10,265	9,549	31,046	16,045
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified subsequently to profit or loss					
Net change in fair value of debt instruments at fair value through other comprehensive income		3,405	2,439	(1,892)	5,343
Income tax relating to components of other comprehensive income		(310)	—	93	(323)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		(212)	(232)	129	(408)
Reclassification of cumulative (gain)/loss on derecognition of debt instruments at fair value through other comprehensive income to profit or loss		(22)	76	(23)	53
Other comprehensive income/(loss) for the period, net of tax		2,861	2,283	(1,693)	4,665
Total comprehensive income for the period		13,126	11,832	29,353	20,710
Attributable to:					
- Shareholders of the Bank		13,126	11,845	29,353	20,705
- Non-controlling interests		—	(13)	—	5
		13,126	11,832	29,353	20,710
Basic and diluted earnings per share (in tenge)	22	0.12	0.11	0.35	0.18

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

Guram Andronikashvili
Chairman of the Management Board

Stanislav Levin
Chief Accountant – Director

28 August 2020

The accompanying selected explanatory notes on pages 6 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

(millions of tenge)

	Note	30 June 2020 (unaudited)	31 December 2019
Assets			
Cash and cash equivalents	11	320,292	347,242
Amounts due from financial organizations	12	74,104	28,205
Trading securities	13	6,695	6,452
Loans to customers	14	776,653	785,068
Investment securities	15	722,468	719,466
Property and equipment		72,206	70,655
Intangible assets		10,635	9,839
Other assets	16	97,906	103,043
Total assets		2,080,959	2,069,970
Liabilities			
Current accounts and deposits of customers	17	1,376,029	1,336,949
Amounts due to banks and other financial organizations	18	157,514	117,806
Amounts payable under repurchase agreements		32,710	116,741
Debt securities issued	19	238,456	229,263
Deferred income tax liabilities	10	4,733	1,621
Subordinated debt	20	23,851	25,951
Other liabilities		11,293	12,687
Total liabilities		1,844,586	1,841,018
Equity			
Share capital	21	332,815	332,815
Additional paid-in capital		21,109	21,109
Treasury shares	21	(5,260)	(4,438)
Fair value reserve		4,165	5,858
Accumulated losses		(116,456)	(126,392)
Total equity attributable to shareholders of the Bank		236,373	228,952
Non-controlling interests		—	—
Total equity		236,373	228,952
Total equity and liabilities		2,080,959	2,069,970

The accompanying selected explanatory notes on pages 6 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

(millions of tenge)

	Note	For the six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Interest received		69,143	62,569
Interest paid		(33,577)	(30,314)
Fees and commission received		15,931	13,747
Fees and commission paid		(6,539)	(4,372)
Net realised losses from financial instruments at fair value through profit or loss		(200)	(2,009)
Net realised gains from dealing in foreign currencies		6,896	444
Other operating expenses less other operating income paid		(1,697)	(365)
General and administrative expenses paid		(16,561)	(15,499)
(Increase)/decrease in operating assets			
Amounts due from financial organisations		(43,741)	(3,525)
Trading securities		—	3,223
Loans to customers		3,490	(14,308)
Other assets		2,452	4,415
(Decrease)/increase in operating liabilities			
Current accounts and deposits of customers		(891)	100,241
Amounts due to banks and other financial organisations		65,313	584
Amounts payable under repurchase agreements		(83,966)	(4,522)
Other liabilities		(2,410)	(68)
Net cash (used in) / from operating activities before income tax		(26,357)	110,241
Corporate income tax paid		(464)	(25)
Net cash (used in) / from operating activities		(26,821)	110,216
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		—	29,767
Purchase of investment securities at fair value through other comprehensive income		(280,764)	(646,799)
Proceeds from sale of investment securities at fair value through other comprehensive income		881	32,475
Proceeds from redemption of investment securities at fair value through other comprehensive income		291,674	566,224
Purchase of property and equipment and intangible assets		(5,023)	(13,387)
Proceeds from sale of property and equipment and intangible assets		4	120
Net cash from / (used in) investing activities		6,772	(31,600)
Cash flows from financing activities			
Purchase of treasury shares	21	(822)	(3,127)
Redemption of subordinated debt		(2,201)	—
Dividends paid to shareholders of the Bank	21	(21,110)	(11,376)
Repayment of lease liabilities		(307)	—
Proceeds from placement of debt securities issued		1,309	27
Repurchase of debt securities issued		(1)	—
Redemption of debt securities issued		(3,903)	(3,954)
Net cash used in financing activities		(27,035)	(18,430)
Net change in cash and cash equivalents		(47,084)	60,186
Effect of exchange rate changes on cash and cash equivalents		20,141	(1,625)
Effect of expected credit losses on cash and cash equivalents		(7)	—
Cash and cash equivalents, beginning		347,242	224,121
Cash and cash equivalents, ending		320,292	282,682
Non-monetary transactions			
Repossession of collateral on loans to customers	16	3,191	4,699

The accompanying selected explanatory notes on pages 6 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

(millions of tenge)

	Equity attributable to shareholders of the Bank							
	Share capital	Additional paid-in capital	Treasury shares	Fair value reserve	Accumulated losses	Total	Non-controlling interests	Total equity
At 1 January 2020	332,815	21,109	(4,438)	5,858	(126,392)	228,952	—	228,952
Profit for the period (unaudited)	—	—	—	—	31,046	31,046	—	31,046
Other comprehensive loss for the period (unaudited)	—	—	—	(1,693)	—	(1,693)	—	(1,693)
Total comprehensive income for the period (unaudited)	—	—	—	(1,693)	31,046	29,353	—	29,353
Purchase of treasury shares (Note 21) (unaudited)	—	—	(822)	—	—	(822)	—	(822)
Dividends declared (Note 21) (unaudited)	—	—	—	—	(21,110)	(21,110)	—	(21,110)
At 30 June 2020 (unaudited)	332,815	21,109	(5,260)	4,165	(116,456)	236,373	—	236,373

The accompanying selected explanatory notes on pages 6 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Equity attributable to shareholders of the Bank</i>					<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Treasury shares</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>		
At 1 January 2019	332,815	21,116	(1,311)	2,359	(155,051)	711	200,639
Impact of adopting IFRS 16	–	–	–	–	(428)	–	(428)
Restated opening balance under IFRS 16	332,815	21,116	(1,311)	2,359	(155,479)	711	200,211
Profit for the period (unaudited)	–	–	–	–	16,040	5	16,045
Other comprehensive income for the period (unaudited)	–	–	–	4,665	–	–	4,665
Total comprehensive income for the period (unaudited)	–	–	–	4,665	16,040	5	20,710
Purchase of treasury shares (<i>Note 21</i>) (unaudited)	–	(7)	(3,127)	–	–	–	(3,134)
Acquisition of non-controlling interests (unaudited)	–	–	–	–	–	(399)	(399)
Acquisition of subsidiaries (<i>Note 4</i>) (unaudited)	–	–	–	–	(1,998)	–	(1,998)
Dividends declared (<i>Note 21</i>) (unaudited)	–	–	–	–	(11,376)	–	(11,376)
At 30 June 2019 (unaudited)	332,815	21,109	(4,438)	7,024	(152,813)	317	204,014

The accompanying selected explanatory notes on pages 6 to 53 are an integral part of these interim condensed consolidated financial statements.

(millions of tenge)

1. General information

Corporate structure and activities

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

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

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

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

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Ownership, %</i>	
			<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
ForteLeasing JSC	Republic of Kazakhstan	Leasing operations	100.0	100.0
OUSA Alliance LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
OUSA-F LLP	Republic of Kazakhstan	Management of doubtful and bad assets	100.0	100.0
Bank Kassa Nova JSC	Republic of Kazakhstan	Banking operations	100.0	100.0
One Technologies LLP	Republic of Kazakhstan	Software development	100.0	100.0

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

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

Shareholders

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

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

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

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

(millions of tenge)

2. Basis of preparation (continued)

General (continued)

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

Functional and presentation currency of consolidated financial statements

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

The Kazakhstan tenge is also the presentation currency for the purposes of these interim condensed consolidated financial statements.

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

Changes in accounting policies

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

Amendment to IFRS 16: Covid-19-Related Rent Concessions

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

Amendments to IFRS 3 Definition of a Business

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments to the definition of material do not have a significant impact on the Group's interim condensed consolidated financial statements.

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

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

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

(millions of tenge)

3. Significant accounting judgements and estimates

Estimation uncertainty

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

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

Fair value of financial instruments

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

Collateral assessment

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

Expected credit losses on financial assets

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

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

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

The following principal activities are implemented to support customers:

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

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

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

Forecast information and multiple economic scenarios

For the purpose of ECL allowance calculation as at 30 June 2020, the Group took into account the following:

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

(millions of tenge)

3. Significant accounting judgements and estimates (continued)

Expected credit losses on financial assets (continued)

Forecast information and multiple economic scenarios (continued)

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

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

Accounting for forward-looking information was carried out based on the adjustment of the components of the default probability for Stage 1 instruments. The adjustment was made by weighing the values of the default probability in the baseline and stress scenarios. The default probability value calculated as at 30 June 2020 on the basis of historical data was used as a baseline scenario. The default probability value calculated as at 30 June 2020 was used as a stress scenario. The probability of the baseline scenario was determined at 80%, the stress scenario – 10%, the optimistic scenario – 10%. The adjustment was made for the corporate portfolio by groups of overdue debts, as well as for the retail portfolio by products and groups of overdue debts. The effect of adjusting the default probability on loans to customers of Stage 1 amounted to KZT 3,797 million.

The amount of ECL allowance recognized in the interim condensed consolidated statement of financial position at 30 June 2020 was KZT 86,052 million (31 December 2019: KZT 72,286 million). More details are provided in *Note 14*.

Taxation

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

The management believes that the Group's tax position as at 30 June 2020 and 31 December 2019 was in compliance with tax laws of the Republic of Kazakhstan regulating its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

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

The management believes that deferred income tax assets as at 30 June 2020 are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised, and deferred income tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

4. Business combinations

Acquisition of Kassa Nova Bank JSC

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

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

(millions of tenge)

4. Business combinations (continued)

Acquisition of KassaNova Bank JSC (continued)

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

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

If the combination had taken place at the beginning of 2019, the profit of the Group for the six months ended 30 June 2019 would have been KZT 16,820 million, net interest income would have been KZT 35,230 million, and non-interest income would have been KZT 10,371 million.

Acquisition of ONE Technologies LLP

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

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

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

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

If the combination had taken place at the beginning of 2019, profit before income tax of the Group for the six-month period ended 30 June 2019, would have been KZT 16,330 million.

(millions of tenge)

5. Net interest income

Interest income and expense comprise the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest revenue calculated using the effective interest rate				
Loans to customers	31,674	27,424	62,848	51,199
Debt investment securities at FVOCI	7,828	6,274	16,710	11,641
Investment securities at amortised cost	4,220	3,769	8,389	7,538
Amounts due from financial organizations	609	1,923	1,178	2,904
Amounts receivable under reverse repurchase agreements	222	125	440	1,032
	44,553	39,515	89,565	74,314
Other interest revenue				
Trading securities	74	67	142	169
	44,627	39,582	89,707	74,483
Interest expense				
Current accounts and deposits of customers	(11,981)	(12,191)	(24,972)	(22,505)
Debt securities issued	(6,968)	(7,779)	(13,795)	(15,217)
Amounts due to banks and other financial organizations	(1,876)	(894)	(3,029)	(1,691)
Subordinated debt	(505)	(506)	(1,046)	(954)
Amounts payable under repurchase agreements	(235)	(269)	(1,132)	(573)
	(21,565)	(21,639)	(43,974)	(40,940)
Net interest income	23,062	17,943	45,733	33,543

6. Fee and commission income and expense

Fee and commission income comprises the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Card operations	3,944	4,584	8,477	7,922
Settlement transactions	1,800	1,574	3,856	2,929
Cash operations	854	980	1,897	1,618
Guarantees and letters of credit	499	505	961	851
Foreign currency transactions and transactions with securities	121	99	223	153
Trust management, custodial and other fiduciary services	–	10	–	21
Other	234	248	515	470
	7,452	8,000	15,929	13,964

Fee and commission expense comprise the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Maintenance of card accounts	(2,788)	(1,898)	(5,867)	(3,450)
Maintenance of nostro accounts	(84)	(197)	(179)	(197)
Settlement transactions	(32)	(64)	(131)	(114)
Customer accounts services by financial agents	(22)	–	(64)	(61)
Foreign currency transactions and transactions with securities	(19)	(9)	(33)	(20)
Other	(116)	(277)	(265)	(530)
	(3,061)	(2,445)	(6,539)	(4,372)

(millions of tenge)

7. Net gains/(losses) from foreign currencies

Net gains/(losses) from foreign currencies comprise the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Translation differences, net	28	70	(547)	(159)
Dealing transactions, net	3,537	(597)	6,895	444
	3,565	(527)	6,348	285

8. (Credit loss expense)/ reversal of allowance for expected credit losses

(Credit loss expense)/ reversal of allowance for expected credit losses for the three-month and six-month periods ended 30 June 2020 are presented as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Cash and cash equivalents	(6)	–	(6)	–
Amounts due from financial organizations	(72)	3	(96)	(14)
Loans to customers (Note 14)	(9,842)	112	(17,919)	(1,774)
Investment securities at amortised cost	12	81	(210)	45
Investment securities at FVOCI	212	175	(129)	351
Other financial assets	114	(87)	155	(109)
Financial guarantees, letters of credit and loan commitment	(121)	129	(119)	100
	(9,703)	413	(18,324)	(1,401)

9. General and administrative expenses

General and administrative expenses comprise the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Personnel expenses and related taxes	(6,021)	(5,851)	(12,249)	(11,092)
Depreciation and amortisation	(1,817)	(1,101)	(3,563)	(2,593)
Taxes, other than corporate income tax	(351)	(429)	(1,173)	(1,183)
Repair and maintenance	(564)	(462)	(1,113)	(907)
Maintenance of buildings	(357)	(348)	(774)	(757)
Advertising and marketing	(303)	(472)	(673)	(858)
Security	(229)	(234)	(463)	(455)
Telecommunication and information services	(147)	(277)	(351)	(374)
Rent	(90)	(133)	(214)	(262)
Encashment	(83)	(109)	(184)	(202)
Transportation	(94)	(83)	(198)	(173)
Business trips	–	(64)	(89)	(148)
Other professional services	(35)	(140)	(75)	(167)
Other	(909)	(36)	(1,074)	(117)
	(11,000)	(9,739)	(22,193)	(19,288)

(millions of tenge)

9. General and administrative expenses (continued)

General and administrative expenses are presented as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and marketing	(3,133)	(4,670)	(9,179)	(10,039)
Technology and new product development	(1,208)	(573)	(1,973)	(1,011)
Other	(6,659)	(4,496)	(11,041)	(8,238)
	(11,000)	(9,739)	(22,193)	(19,288)

10. Corporate income tax benefit/(expense)

Corporate income tax benefit/(expense) comprises the following:

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current corporate income tax charge	(416)	(29)	(668)	(29)
Deferred corporate income tax benefit/(charge) – origination and reversal of temporary differences	2,907	(942)	(3,112)	(1,873)
	2,491	(971)	(3,780)	(1,902)

As at 30 June 2020, deferred corporate income tax liabilities comprised KZT 4,733 million (as at 31 December 2019: KZT 1,621 million).

11. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	62,988	61,370
Cash on current accounts with the NBRK rated BBB-	48,268	35,762
Cash on current accounts with other banks:		
- Rated from AA- to AA+	47	–
- Rated from A- to A+	17,009	32,573
- Rated from BBB- to BBB+	3,045	6,888
- Rated from BB- to BB+	1,850	1,831
- Rated below B+	168	203
- Not rated	201	543
Term deposits with the NBRK with contractual maturity of 90 days or less rated BBB-	155,531	152,640
Amounts receivable under reverse repurchase agreements	31,200	55,440
Cash and cash equivalents before ECL allowance	320,307	347,250
ECL allowance	(15)	(8)
Cash and cash equivalents	320,292	347,242

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

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

As at 30 June 2020 and 31 December 2019, the Group entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements is the Ministry of Finance of the Republic of Kazakhstan bonds with total fair value of KZT 32,157 million as at 30 June 2020 (as at 31 December 2019: KZT 56,857 million).

(millions of tenge)

11. Cash and cash equivalents (continued)

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percentage of specified liabilities of the second-tier banks. Banks are required to comply with these requirements by maintaining average reserve assets (cash in local currency and held on accounts with the NBRK) equal to or in excess of the average minimum requirements. As at 30 June 2020, minimum reserve requirements of the Bank amount to KZT 30,334 million (as at 31 December 2019: KZT 27,712 million).

Concentration of cash and cash equivalents

As at 30 June 2020 and 31 December 2019, the Group has accounts with one bank which balances exceed 10% of total cash and cash equivalents. The total balance on the accounts with the above counterparty as at 30 June 2020 amounts to KZT 203,799 million (as at 31 December 2019: KZT 188,402 million).

12. Amounts due from financial organizations

Amounts due from financial organizations comprise the following:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts with the NBRK rated BBB-, restricted in use	38,691	8,221
Deposits with other banks:		
- Rated below B+	1,000	3,209
- Not rated	711	622
Contingent deposits and deposits pledged as a collateral:		
- Rated AAA	25,262	–
- Rated from AA- to AA+	159	150
- Rated from A- to A+	5,476	5,185
- Rated from BBB- to BBB+	–	3,147
- Not rated	3,625	8,368
Amounts due from financial organizations before allowance for ECL	74,924	28,902
ECL allowance	(820)	(697)
Amounts due from financial organizations	74,104	28,205

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

Amounts on current accounts with the NBRK restricted in use represent funds received by the Bank as part of participation in the state program of lending to businesses. These funds also include amounts allocated by Kazakhstan Sustainability Fund JSC (hereinafter, the "KSF") in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The carrying amount of these funds as at 30 June 2020 were KZT 26,671 million, the accrual and payment of interest are not provided until the moment these funds are utilized by the Bank (*Note 18*).

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

As at 30 June 2020 contingent deposits and deposits pledged as collateral include contingent deposits, restricted for use on transactions with providers of payment operation services in the amount of KZT 7,380 million (as at 31 December 2019: KZT 6,987 million).

In accordance with the loan agreements between the Bank and European Bank of Reconstruction and Development (hereinafter, the "EBRD"), the Bank placed escrow deposits totalling USD 66 million (equivalent in tenge – 24,888 million) for a period until 2023. As at 30 June 2020, conditional deposits amounted to KZT 25,262 million.

Concentration of amounts due from financial organizations

As at 30 June 2020 and 31 December 2019, the Group has amounts due from two financial organizations (as at 31 December 2019: five), which balances individually exceed 10% of total amounts due from financial organizations. The total value of these balances as at 30 June 2020 is KZT 63,953 million (as at 31 December 2019: KZT 25,693 million).

(millions of tenge)

13. Trading securities

Trading securities comprise the following:

	30 June 2020 (unaudited)	31 December 2019
Bonds of banks		
- Rated from BB- to BB+	5,256	5,012
Total bonds of banks	5,256	5,012
Equity instruments	1,439	1,440
Trading securities	6,695	6,452

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

14. Loans to customers

Loans to customers comprise the following:

	30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Individually significant loans	202,042	7,760	36,185	—	245,987
Total individually significant loans	202,042	7,760	36,185	—	245,987
Individually insignificant loans					
Corporate loans	123,677	6,342	25,832	46	155,897
Mortgage loans	30,404	1,103	24,400	8,934	64,841
Consumer loans	179,319	2,824	10,629	1	192,773
Car loans	4,530	—	501	—	5,031
Credit cards	4,390	259	986	—	5,635
Other loans secured by collateral	112,788	5,637	61,688	12,428	192,541
Total individually insignificant loans	455,108	16,165	124,036	21,409	616,718
Loans to customers before ECL allowance	657,150	23,925	160,221	21,409	862,705
ECL allowance	(13,838)	(2,142)	(72,162)	2,090	(86,052)
Loans to customers	643,312	21,783	88,059	23,499	776,653

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

(millions of tenge)

14. Loans to customers (continued)

Quality of individually significant loans

Information on the quality of individually significant loans at 30 June 2020 is presented in the table below:

	<i>30 June 2020 (unaudited)</i>			<i>ECL allowance to loans before ECL allowance, (%)</i>
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	
Individually significant loans				
Stage 1 loans				
- Not overdue	201,180	(1,798)	199,382	0.89
- Overdue for less than 30 days	862	(3)	859	0.35
Stage 2 and 3 loans				
- Not overdue	10,640	(1,119)	9,521	10.52
- Overdue for less than 90 days	5,046	(2,605)	2,441	51.63
- Overdue for 90 days to 360 days				
- Overdue for more than 360 days	28,259	(21,874)	6,385	77.41
Total Stage 2 and 3 loans	43,945	(25,598)	18,347	58.25
Total individually significant loans	245,987	(27,399)	218,588	11.14

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

	<i>31 December 2019</i>			<i>ECL allowance to loans before ECL allowance, (%)</i>
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	
Individually significant loans				
Stage 1 loans				
- Not overdue	188,466	(1,250)	187,216	0.66
- Overdue for less than 30 days	—	—	—	—
Stage 2 and 3 loans				
- Not overdue	11,201	(1,825)	9,376	16.29
- Overdue for less than 90 days	3,624	(1,689)	1,935	46.61
- Overdue for 90 days to 360 days	3,220	(1,392)	1,828	43.23
- Overdue for more than 360 days	27,855	(21,270)	6,585	76.36
Total Stage 2 and 3 loans	45,900	(26,176)	19,724	57.03
Total individually significant loans	234,366	(27,426)	206,940	11.70

(millions of tenge)

14. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in the ECL allowances

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

	<i>For the three months ended 30 June 2020</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans					
ECL as at 1 April 2020	(1,946)	(33)	(26,979)	–	(28,958)
New assets originated or purchased	(686)	(22)	–	–	(708)
Assets derecognised or repaid (excluding write-offs)	22	3	–	–	25
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	31	(31)	–	–	–
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	377	1	150	–	528
Unwinding of discount	–	–	(676)	–	(676)
Write-offs	–	–	658	–	658
Effect from changes in exchange rates	407	6	1,319	–	1,732
At 30 June 2020	(1,801)	(70)	(25,528)	–	(27,399)

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

	<i>For the six months ended 30 June 2020</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans					
ECL as at 1 January 2020	(1,250)	(35)	(26,141)	–	(27,426)
New assets originated or purchased	(1,074)	(22)	–	–	(1,096)
Assets derecognised or repaid (excluding write-offs)	261	44	185	–	490
Transfers to Stage 1	(6)	6	–	–	–
Transfers to Stage 2	31	(31)	–	–	–
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	13	(2)	411	–	422
Unwinding of discount	–	–	(1,423)	–	(1,423)
Recoveries	–	–	(161)	–	(161)
Write-offs	–	–	2,211	–	2,211
Effect from changes in exchange rates	224	(30)	(610)	–	(416)
At 30 June 2020	(1,801)	(70)	(25,528)	–	(27,399)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually significant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to individually significant loans during the three-month period ended 30 June 2019 is as follows:

	<i>For the three months ended 30 June 2019</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans					
ECL as at 1 April 2019	(1,073)	–	(27,632)	–	(28,705)
Acquisition of subsidiaries	–	–	(4)	–	(4)
New assets originated or purchased	(234)	–	–	–	(234)
Assets derecognised or repaid (excluding write-offs)	458	–	135	–	593
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	(27)	–	(1,211)	–	(1,238)
Transfer between categories	(8)	–	(798)	–	(806)
Unwinding of discount	–	–	(640)	–	(640)
Recoveries	–	–	–	–	–
Write-offs	–	–	5,718	–	5,718
Effect from changes in exchange rates	6	–	89	–	95
At 30 June 2019	(878)	–	(24,343)	–	(25,221)

An analysis of changes in the ECL allowances in relation to individually significant loans during the six-month period ended 30 June 2019 is as follows:

	<i>For the six months ended 30 June 2019</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Individually significant loans					
ECL as at 1 January 2019	(1,635)	(558)	(26,963)	–	(29,156)
Acquisition of subsidiaries	–	–	(4)	–	(4)
New assets originated or purchased	(343)	–	–	–	(343)
Assets derecognised or repaid (excluding write-offs)	1,069	60	2,090	–	3,219
Transfers to Stage 1	(30)	30	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	582	(582)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(30)	(114)	(2,476)	–	(2,620)
Transfer between categories	(8)	–	(129)	–	(137)
Unwinding of discount	–	–	(1,209)	–	(1,209)
Recoveries	–	–	(1,800)	–	(1,800)
Write-offs	–	–	6,620	–	6,620
Effect from changes in exchange rates	99	–	110	–	209
At 30 June 2019	(878)	–	(24,343)	–	(25,221)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans

The following table provides information on the credit quality of individually insignificant loans collectively assessed for impairment as at 30 June 2020:

	30 June 2020 (unaudited)			<i>ECL allowance to loans before ECL allowance, (%)</i>
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	
Individually insignificant corporate loans				
Not overdue	124,017	(873)	123,144	0.70
Overdue for less than 30 days	10,702	(94)	10,608	0.88
Overdue for 30 to 89 days	611	(129)	482	21.11
Overdue for 90 to 179 days	747	(4)	743	0.54
Overdue for 180 to 360 days	1,367	(62)	1,305	4.54
Overdue for more than 360 days	18,407	(7,661)	10,746	41.62
POCI	46	16	62	—
Total individually insignificant corporate loans	155,897	(8,807)	147,090	5.65
Mortgage loans				
Not overdue	29,601	(225)	29,376	0.76
Overdue for less than 30 days	2,677	(24)	2,653	0.90
Overdue for 30 to 89 days	348	(16)	332	4.60
Overdue for 90 to 179 days	264	(40)	224	15.15
Overdue for 180 to 360 days	240	(26)	214	10.83
Overdue for more than 360 days	22,778	(10,427)	12,351	45.78
POCI	8,933	730	9,663	—
Total mortgage loans	64,841	(10,028)	54,813	15.47
Consumer loans				
Not overdue	164,311	(3,771)	160,540	2.30
Overdue for less than 30 days	15,008	(6,538)	8,470	43.56
Overdue for 30 to 89 days	2,824	(1,698)	1,126	60.13
Overdue for 90 to 179 days	3,451	(2,606)	845	75.51
Overdue for 180 to 360 days	5,735	(4,586)	1,149	79.97
Overdue for more than 360 days	1,443	(1,091)	352	75.61
POCI	1	—	1	—
Total consumer loans	192,773	(20,290)	172,483	10.53
Car loans				
Not overdue	4,520	(5)	4,515	0.11
Overdue for less than 30 days	14	—	14	0.00
Overdue for 30 to 89 days	2	—	2	0.00
Overdue for 90 to 179 days	3	—	3	0.00
Overdue for 180 to 360 days	—	—	—	0.00
Overdue for more than 360 days	492	(130)	362	26.42
Total car loans	5,031	(135)	4,896	2.68

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	30 June 2020 (unaudited)			
	<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	3,852	(667)	3,185	17.32
Overdue for less than 30 days	561	(383)	178	68.27
Overdue for 30 to 89 days	247	(239)	8	96.76
Overdue for 90 to 179 days	306	(258)	48	84.31
Overdue for 180 to 360 days	285	(231)	54	81.05
Overdue for more than 360 days	384	(311)	73	80.99
Total credit cards	5,635	(2,089)	3,546	37.07
Other loans secured by collateral				
Not overdue	102,514	(160)	102,354	0.16
Overdue for less than 30 days	18,590	(182)	18,408	0.98
Overdue for 30 to 89 days	2,033	(14)	2,019	0.69
Overdue for 90 to 179 days	1,826	(37)	1,789	2.03
Overdue for 180 to 360 days	2,829	(140)	2,689	4.95
Overdue for more than 360 days	52,320	(18,115)	34,205	34.62
POCI	12,429	1,344	13,773	—
Total other loans secured by collateral	192,541	(17,304)	175,237	8.99
Total individually insignificant loans	616,718	(58,653)	558,065	9.51

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

	31 December 2019			
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	<i>ECL allowance to loans before ECL allowance, (%)</i>
Individually insignificant corporate loans				
Not overdue	126,435	(730)	125,705	0.58
Overdue for less than 30 days	2,272	(9)	2,263	0.40
Overdue for 30 to 89 days	2,352	(25)	2,327	1.06
Overdue for 90 to 179 days	1,005	(24)	981	2.39
Overdue for 180 to 360 days	1,209	(136)	1,073	11.25
Overdue for more than 360 days	19,546	(8,676)	10,870	44.39
POCI	31	16	47	—
Total individually insignificant corporate loans	152,850	(9,584)	143,266	6.27
Mortgage loans				
Not overdue	33,170	(266)	32,904	0.80
Overdue for less than 30 days	1,557	(14)	1,543	0.90
Overdue for 30 to 89 days	668	(21)	647	3.14
Overdue for 90 to 179 days	306	(23)	283	7.52
Overdue for 180 to 360 days	554	(61)	493	11.01
Overdue for more than 360 days	22,632	(9,362)	13,270	41.37
POCI	9,311	1,112	10,423	—
Total mortgage loans	68,198	(8,635)	59,563	12.66

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

	31 December 2019			<i>ECL allowance to loans before ECL allowance, (%)</i>
	<i>Loans before ECL allowance</i>	<i>ECL allowance</i>	<i>Loans net of ECL allowance</i>	
Consumer loans				
Not overdue	176,889	(3,274)	173,615	1.85
Overdue for less than 30 days	5,506	(795)	4,711	14.44
Overdue for 30 to 89 days	3,376	(1,686)	1,690	49.94
Overdue for 90 to 179 days	3,378	(2,681)	697	79.37
Overdue for 180 to 360 days	1,328	(1,046)	282	78.77
Overdue for more than 360 days	590	(434)	156	73.56
Total consumer loans	191,067	(9,916)	181,151	5.19
Car loans				
Not overdue	1,498	(2)	1,496	0.13
Overdue for less than 30 days	6	—	6	0.00
Overdue for 30 to 89 days	4	—	4	0.00
Overdue for 90 to 179 days	4	(2)	2	50.00
Overdue for 180 to 360 days	5	(1)	4	20.00
Overdue for more than 360 days	438	(86)	352	19.63
Total car loans	1,955	(91)	1,864	4.65
Credit cards				
Not overdue	4,801	(988)	3,813	20.58
Overdue for less than 30 days	206	(101)	105	49.03
Overdue for 30 to 89 days	149	(131)	18	87.92
Overdue for 90 to 179 days	139	(116)	23	83.45
Overdue for 180 to 360 days	152	(125)	27	82.24
Overdue for more than 360 days	244	(211)	33	86.48
Total credit cards	5,691	(1,672)	4,019	29.38
Other loans secured by collateral				
Not overdue	119,588	(229)	119,359	0.19
Overdue for less than 30 days	9,279	(34)	9,245	0.37
Overdue for 30 to 89 days	5,896	(39)	5,857	0.66
Overdue for 90 to 179 days	2,106	(42)	2,064	1.99
Overdue for 180 to 360 days	3,162	(169)	2,993	5.34
Overdue for more than 360 days	49,996	(16,210)	33,786	32.42
POCI	13,200	1,761	14,961	—
Total other loans secured by collateral	203,227	(14,962)	188,265	7.36
Total individually insignificant loans	622,988	(44,860)	578,128	7.20

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances

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

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 30 June 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 April 2020	(452)	(267)	(9,557)	16	(10,260)
New assets originated or purchased	(114)	(1)	–	–	(115)
Assets derecognised or repaid (excluding write-offs)	241	7	671	–	919
Transfers to Stage 1	(53)	53	–	–	–
Transfers to Stage 2	–	(1)	1	–	–
Transfers to Stage 3	–	203	(203)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(174)	(6)	149	–	(31)
Unwinding of discount	–	–	(258)	–	(258)
Recoveries	–	–	(662)	–	(662)
Write-offs	–	–	1,516	–	1,516
Effect from changes in exchange rates	–	–	84	–	84
At 30 June 2020	(552)	(12)	(8,259)	16	(8,807)

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

<i>Individually insignificant corporate loans</i>	<i>For the six months ended 30 June 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	(274)	(1)	–	–	(275)
Assets derecognised or repaid (excluding write-offs)	343	16	4,514	–	4,873
Transfers to Stage 1	(53)	53	–	–	–
Transfers to Stage 2	5	(5)	–	–	–
Transfers to Stage 3	–	213	(213)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(279)	(61)	(1,070)	–	(1,410)
Unwinding of discount	–	–	(589)	–	(589)
Recoveries	–	–	(4,131)	–	(4,131)
Write-offs	–	–	3,116	–	3,116
Effect from changes in exchange rates	–	(24)	(783)	–	(807)
At 30 June 2020	(552)	(12)	(8,259)	16	(8,807)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the three-month period ended 30 June 2019 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the three months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 April 2019	(125)	(95)	(6,830)	13	(7,037)
Acquisition of subsidiaries	(6)	(4)	(1,123)	–	(1,133)
New assets originated or purchased	(63)	–	–	–	(63)
Assets derecognised or repaid (excluding write-offs)	288	81	1,322	4	1,695
Transfers to Stage 1	(34)	34	–	–	–
Transfers to Stage 2	1	(1)	–	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(199)	(169)	(483)	–	(851)
Transfer between categories	8	–	798	–	806
Unwinding of discount	–	–	(277)	–	(277)
Recoveries	–	–	(1,448)	–	(1,448)
Write-offs	–	–	511	–	511
Effect from changes in exchange rates	–	–	–	–	–
At 30 June 2019	(130)	(154)	(7,530)	17	(7,797)

An analysis of changes in the ECL allowances in relation to individually insignificant corporate loans for the six-month period ended 30 June 2019 is as follows:

<i>Individually insignificant corporate loans</i>	<i>For the six months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2019	–	(30)	(5,881)	13	(5,898)
Acquisition of subsidiaries	(6)	(4)	(1,123)	–	(1,133)
New assets originated or purchased	(99)	–	–	–	(99)
Assets derecognised or repaid (excluding write-offs)	374	117	2,002	4	2,497
Transfers to Stage 1	(67)	67	–	–	–
Transfers to Stage 2	9	(15)	6	–	–
Transfers to Stage 3	33	3	(36)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(382)	(292)	(1,116)	–	(1,790)
Transfer between categories	8	–	129	–	137
Unwinding of discount	–	–	(422)	–	(422)
Recoveries	–	–	(2,482)	–	(2,482)
Write-offs	–	–	1,336	–	1,336
Effect from changes in exchange rates	–	–	57	–	57
At 30 June 2019	(130)	(154)	(7,530)	17	(7,797)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to mortgage loans for the three-month period ended 30 June 2020 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 30 June 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 April 2020	(98)	(21)	(10,724)	1,667	(9,176)
New assets originated or purchased	(2)	–	–	–	(2)
Assets derecognised or repaid (excluding write-offs)	–	–	87	26	113
Transfers to Stage 1	(11)	11	–	–	–
Transfers to Stage 2	9	(12)	3	–	–
Transfers to Stage 3	–	6	(6)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	10	(29)	(897)	(963)	(1,879)
Unwinding of discount	–	–	(421)	–	(421)
Recoveries	–	–	(87)	–	(87)
Write-offs	–	–	1,399	–	1,399
Effect from changes in foreign exchange rates	–	24	1	–	25
At 30 June 2020	(92)	(21)	(10,645)	730	(10,028)

An analysis of changes in the ECL allowances in relation to mortgage loans for the six-month period ended 30 June 2020 is as follows:

<i>Mortgage loans</i>	<i>For the six months ended 30 June 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	(12)	–	–	–	(12)
Assets derecognised or repaid (excluding write-offs)	(8)	–	470	(123)	339
Transfers to Stage 1	(11)	11	–	–	–
Transfers to Stage 2	10	(13)	3	–	–
Transfers to Stage 3	–	7	(7)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	10	(40)	(3,418)	(259)	(3,707)
Unwinding of discount	–	–	(832)	–	(832)
Recoveries	–	–	(450)	–	(450)
Write-offs	–	–	3,482	–	3,482
Effect from changes in foreign exchange rates	–	24	(237)	–	(213)
At 30 June 2020	(92)	(21)	(10,645)	730	(10,028)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to mortgage loans for the three-month period ended 30 June 2019 is as follows:

<i>Mortgage loans</i>	<i>For the three months ended 30 June 2019</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 April 2019	(79)	(28)	(10,085)	349	(9,843)
Acquisition of subsidiaries	–	–	(68)	–	(68)
New assets originated or purchased	(7)	–	–	–	(7)
Assets derecognised or repaid (excluding write-offs)	29	15	1,418	322	1,784
Transfers to Stage 1	(15)	14	1	–	–
Transfers to Stage 2	1	(3)	2	–	–
Transfers to Stage 3	–	7	(7)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(18)	(19)	(628)	1,258	593
Unwinding of discount	–	–	(320)	–	(320)
Recoveries	–	–	(2,326)	(270)	(2,596)
Write-offs	–	–	2,790	–	2,790
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(89)	(14)	(9,223)	1,659	(7,667)

An analysis of changes in the ECL allowances in relation to mortgage loans for the six-month period ended 30 June 2019 is as follows:

<i>Mortgage loans</i>	<i>For the six months ended 30 June 2019</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 2019	(92)	(22)	(10,087)	108	(10,093)
Acquisition of subsidiaries	–	–	(68)	–	(68)
New assets originated or purchased	(13)	–	–	–	(13)
Assets derecognised or repaid (excluding write-offs)	80	19	2,703	410	3,212
Transfers to Stage 1	(22)	21	1	–	–
Transfers to Stage 2	4	(6)	2	–	–
Transfers to Stage 3	–	7	(7)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(46)	(33)	(1,746)	1,408	(417)
Unwinding of discount	–	–	(637)	–	(637)
Recoveries	–	–	(3,311)	(270)	(3,581)
Write-offs	–	–	3,927	3	3,930
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(89)	(14)	(9,223)	1,659	(7,667)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to consumer loans for the three-month period ended 30 June 2020 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 30 June 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 April 2020	(7,335)	(2,403)	(5,970)	–	(15,708)
New assets originated or purchased	(446)	–	–	–	(446)
Assets derecognised or repaid (excluding write-offs)	32	16	8	–	56
Transfers to Stage 1	(1,323)	1,168	155	–	–
Transfers to Stage 2	165	(194)	29	–	–
Transfers to Stage 3	234	1,090	(1,324)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(1,465)	(1,443)	(1,320)	–	(4,228)
Changes due to modifications, not resulting in derecognition	–	–	1	–	1
Unwinding of discount	–	–	(622)	–	(622)
Recoveries	–	–	(8)	–	(8)
Write-offs	–	–	658	–	658
Effect from changes in foreign exchange rates	–	(1)	8	–	7
At 30 June 2020	(10,138)	(1,767)	(8,385)	–	(20,290)

An analysis of changes in the ECL allowances in relation to consumer loans for the six-month period ended 30 June 2020 is as follows:

<i>Consumer loans</i>	<i>For the six months ended 30 June 2020</i> <i>(unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2020	(4,006)	(1,603)	(4,307)	–	(9,916)
New assets originated or purchased	(1,250)	–	–	–	(1,250)
Assets derecognised or repaid (excluding write-offs)	318	34	146	–	498
Transfers to Stage 1	(1,647)	1,389	258	–	–
Transfers to Stage 2	245	(305)	60	–	–
Transfers to Stage 3	262	2,077	(2,339)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(4,060)	(3,358)	(2,685)	–	(10,103)
Changes due to modifications, not resulting in derecognition	–	–	1	–	1
Unwinding of discount	–	–	(1,067)	–	(1,067)
Recoveries	–	–	(23)	–	(23)
Write-offs	–	–	1,574	–	1,574
Effect from changes in foreign exchange rates	–	(1)	(3)	–	(4)
At 30 June 2020	(10,138)	(1,767)	(8,385)	–	(20,290)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to consumer loans for the three-month period ended 30 June 2019 is as follows:

<i>Consumer loans</i>	<i>For the three months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 April 2019	(2,667)	(1,087)	(8,532)	–	(12,286)
Acquisition of subsidiaries	(266)	(60)	(227)	–	(553)
New assets originated or purchased	(816)	–	–	–	(816)
Assets derecognised or repaid (excluding write-offs)	704	182	185	–	1,071
Transfers to Stage 1	(491)	329	162	–	–
Transfers to Stage 2	133	(168)	35	–	–
Transfers to Stage 3	70	669	(739)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(139)	(987)	(2,293)	–	(3,419)
Unwinding of discount	–	–	(585)	–	(585)
Recoveries	–	–	(207)	–	(207)
Write-offs	–	–	4,533	–	4,533
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(3,472)	(1,122)	(7,668)	–	(12,262)

An analysis of changes in the ECL allowances in relation to consumer loans for the six-month period ended 30 June 2019 is as follows:

<i>Consumer loans</i>	<i>For the six months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2019	(2,074)	(688)	(7,667)	–	(10,429)
Acquisition of subsidiaries	(266)	(60)	(227)	–	(553)
New assets originated or purchased	(1,242)	–	–	–	(1,242)
Assets derecognised or repaid (excluding write-offs)	1,408	299	582	–	2,289
Transfers to Stage 1	(719)	442	277	–	–
Transfers to Stage 2	215	(268)	53	–	–
Transfers to Stage 3	129	1,131	(1,260)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(923)	(1,978)	(3,033)	–	(5,934)
Unwinding of discount	–	–	(1,168)	–	(1,168)
Recoveries	–	–	(357)	–	(357)
Write-offs	–	–	5,132	–	5,132
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(3,472)	(1,122)	(7,668)	–	(12,262)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to car loans for the three-month period ended 30 June 2020 is as follows:

<i>Car loans</i>	<i>For the three months ended 30 June 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 April 2020	–	–	(147)	–	(147)
New assets originated or purchased	(5)	–	–	–	(5)
Assets derecognised or repaid (excluding write-offs)	–	–	19	–	19
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	–	–	11	–	11
Unwinding of discount	–	–	(5)	–	(5)
Recoveries	–	–	(19)	–	(19)
Write-offs	–	–	5	–	5
Effect from changes in foreign exchange rates	–	–	6	–	6
At 30 June 2020	(5)	–	(130)	–	(135)

An analysis of changes in the ECL allowances in relation to car loans for the six-month period ended 30 June 2020 is as follows:

<i>Car loans</i>	<i>For the six months ended 30 June 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2020	–	–	(91)	–	(91)
New assets originated or purchased	(5)	–	–	–	(5)
Assets derecognised or repaid (excluding write-offs)	–	–	49	–	49
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	–	–	(100)	–	(100)
Unwinding of discount	–	–	(10)	–	(10)
Recoveries	–	–	(49)	–	(49)
Write-offs	–	–	65	–	65
Effect from changes in foreign exchange rates	–	–	6	–	6
At 30 June 2020	(5)	–	(130)	–	(135)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to car loans for the three-month period ended 30 June 2019 is as follows:

<i>Car loans</i>	<i>For the three months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 April 2019	–	–	(524)	–	(524)
New assets originated or purchased	–	–	–	–	–
Assets derecognised or repaid (excluding write-offs)	–	–	1	–	1
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	–	–	(82)	–	(82)
Unwinding of discount	–	–	(10)	–	(10)
Recoveries	–	–	(57)	–	(57)
Write-offs	–	–	441	–	441
At 30 June 2019	–	–	(231)	–	(231)

An analysis of changes in the ECL allowances in relation to car loans for the six-month period ended 30 June 2019 is as follows:

<i>Car loans</i>	<i>For the six months ended 30 June 2019 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2019	–	–	(483)	–	(483)
New assets originated or purchased	–	–	–	–	–
Assets derecognised or repaid (excluding write-offs)	–	–	15	–	15
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	–	–	(140)	–	(140)
Unwinding of discount	–	–	(32)	–	(32)
Recoveries	–	–	(69)	–	(69)
Write-offs	–	–	478	–	478
At 30 June 2019	–	–	(231)	–	(231)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to credit card loans for the three-month period ended 30 June 2020 is as follows:

<i>Credit cards</i>	<i>For the three months ended 30 June 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 April 2020	(1,305)	(210)	(638)	–	(2,153)
New assets originated or purchased	(97)	(1)	–	–	(98)
Assets derecognised or repaid (excluding write-offs)	3	4	1	–	8
Transfers to Stage 1	(68)	53	15	–	–
Transfers to Stage 2	49	(50)	1	–	–
Transfers to Stage 3	70	134	(204)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	9	(354)	7	–	(338)
Unwinding of discount	–	–	(27)	–	(27)
Recoveries	–	–	(1)	–	(1)
Write-offs	–	–	32	–	32
Effect from changes in exchange rates	316	172	–	–	488
At 30 June 2020	(1,023)	(252)	(814)	–	(2,089)

An analysis of changes in the ECL allowances in relation to credit card loans for the six-month period ended 30 June 2020 is as follows:

<i>Credit cards</i>	<i>For the six months ended 30 June 2020 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL as at 1 January 2020	(995)	(156)	(521)	–	(1,672)
New assets originated or purchased	(139)	(1)	–	–	(140)
Assets derecognised or repaid (excluding write-offs)	126	12	15	–	153
Transfers to Stage 1	(89)	66	23	–	–
Transfers to Stage 2	54	(58)	4	–	–
Transfers to Stage 3	77	188	(265)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(373)	(475)	(99)	–	(947)
Unwinding of discount	–	–	(48)	–	(48)
Recoveries	–	–	(2)	–	(2)
Write-offs	–	–	79	–	79
Effect from changes in exchange rates	316	172	–	–	488
At 30 June 2020	(1,023)	(252)	(814)	–	(2,089)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

An analysis of changes in the ECL allowances in relation to credit card loans for the three-month period ended 30 June 2019 is as follows:

<i>Credit cards</i>	<i>For the three months ended 30 June 2019</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 April 2019	(682)	(82)	(226)	–	(990)
Acquisition of subsidiaries	(16)	(1)	(77)	–	(94)
New assets originated or purchased	(290)	–	–	–	(290)
Assets derecognised or repaid (excluding write-offs)	212	2	7	–	221
Transfers to Stage 1	(26)	20	6	–	–
Transfers to Stage 2	16	(18)	2	–	–
Transfers to Stage 3	12	44	(56)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(135)	(91)	8	–	(218)
Unwinding of discount	–	–	(14)	–	(14)
Recoveries	–	–	(2)	–	(2)
Write-offs	–	–	18	–	18
Effect from changes in exchange rates	–	–	–	–	–
At 30 June 2019	(909)	(126)	(334)	–	(1,369)

An analysis of changes in the ECL allowances in relation to credit card loans for the six-month period ended 30 June 2019 is as follows:

<i>Credit cards</i>	<i>For the six months ended 30 June 2019</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 2019	(453)	(48)	(184)	–	(685)
Acquisition of subsidiaries	(16)	(1)	(77)	–	(94)
New assets originated or purchased	(581)	–	–	–	(581)
Assets derecognised or repaid (excluding write-offs)	213	2	9	–	224
Transfers to Stage 1	(3)	(3)	6	–	–
Transfers to Stage 2	4	20	(24)	–	–
Transfers to Stage 3	9	43	(52)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(82)	(139)	(19)	–	(240)
Unwinding of discount	–	–	(26)	–	(26)
Recoveries	–	–	(4)	–	(4)
Write-offs	–	–	37	–	37
Effect from changes in exchange rates	–	–	–	–	–
At 30 June 2019	(909)	(126)	(334)	–	(1,369)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

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

<i>Other loans secured by collateral</i>	<i>For the three months ended 30 June 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 April 2020	(147)	(53)	(18,770)	2,457	(16,513)
New assets originated or purchased	(19)	–	–	–	(19)
Assets derecognised or repaid (excluding write-offs)	15	10	464	12	501
Transfers to Stage 1	(29)	25	4	–	–
Transfers to Stage 2	2	(5)	3	–	–
Transfers to Stage 3	1	8	(9)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(50)	(5)	(2,974)	(1,125)	(4,154)
Unwinding of discount	–	–	(826)	–	(826)
Recoveries	–	–	(409)	–	(409)
Write-offs	–	–	2,762	–	2,762
Effect from changes in foreign exchange rates	–	–	1,354	–	1,354
At 30 June 2020	(227)	(20)	(18,401)	1,344	(17,304)

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the six-month period ended 30 June 2020 is as follows:

<i>Other loans secured by collateral</i>	<i>For the six months ended 30 June 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	(134)	–	–	–	(134)
Assets derecognised or repaid (excluding write-offs)	15	10	1,399	12	1,436
Transfers to Stage 1	(39)	21	18	–	–
Transfers to Stage 2	5	(9)	4	–	–
Transfers to Stage 3	1	10	(11)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	57	(24)	(6,605)	(429)	(7,001)
Unwinding of discount	–	–	(1,666)	–	(1,666)
Recoveries	–	–	(1,138)	–	(1,138)
Write-offs	–	–	6,463	–	6,463
Effect from changes in foreign exchange rates	–	–	(302)	–	(302)
At 30 June 2020	(227)	(20)	(18,401)	1,344	(17,304)

(millions of tenge)

14. Loans to customers (continued)

Quality of individually insignificant loans (continued)

Analysis of movements in the ECL allowances (continued)

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

<i>Other loans secured by collateral</i>	<i>For the three months ended 30 June 2019</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 April 2019	(65)	(25)	(16,700)	780	(16,010)
Acquisition of subsidiaries	(4)	(9)	(222)	–	(235)
New assets originated or purchased	(116)	–	–	–	(116)
Assets derecognised or repaid (excluding write-offs)	119	3	1,870	193	2,185
Transfers to Stage 1	(18)	4	14	–	–
Transfers to Stage 2	1	(16)	15	–	–
Transfers to Stage 3	2	17	(19)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(13)	(7)	(2,036)	1,359	(697)
Unwinding of discount	–	–	(649)	–	(649)
Recoveries	–	–	(3,412)	–	(3,412)
Write-offs	–	–	4,823	–	4,823
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(94)	(33)	(16,316)	2,332	(14,111)

An analysis of changes in the ECL allowances in relation to other loans secured by collateral for the six-month period ended 30 June 2019 is as follows:

<i>Other loans secured by collateral</i>	<i>For the six months ended 30 June 2019</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 2019	(72)	(23)	(16,767)	453	(16,409)
Acquisition of subsidiaries	(4)	(9)	(222)	–	(235)
New assets originated or purchased	(174)	–	–	–	(174)
Assets derecognised or repaid (excluding write-offs)	221	16	4,310	216	4,763
Transfers to Stage 1	(21)	7	14	–	–
Transfers to Stage 2	7	(29)	22	–	–
Transfers to Stage 3	17	18	(35)	–	–
Impact on period end ECL of exposures transferred between stages and changes to inputs used for ECL calculations during the period	(68)	(13)	(6,022)	1,703	(4,400)
Unwinding of discount	–	–	(1,270)	–	(1,270)
Recoveries	–	–	(4,516)	(40)	(4,556)
Write-offs	–	–	8,170	–	8,170
Effect from changes in foreign exchange rates	–	–	–	–	–
At 30 June 2019	(94)	(33)	(16,316)	2,332	(14,111)

(millions of tenge)

14. Loans to customers (continued)

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Stage 3 and POCI		
Non-performing loans not overdue	9,898	12,309
Non-performing loans overdue and restructured	60,190	60,933
Other credit-impaired loans	111,058	102,791
	<u>181,146</u>	<u>176,033</u>
ECL allowance	<u>(70,072)</u>	<u>(63,493)</u>
	<u>111,074</u>	<u>112,540</u>

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

The amounts of undiscounted ECL at initial recognition on purchased credit-impaired loans to customers that were initially recognised during the three and six-month period ended 30 June 2020 and 2019 were as follows:

	<i>For the three months ended 30 June</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Mortgage loans	79	150
Other loans secured by collateral	82	251
Total undiscounted ECL at initial recognition of POCI	<u>161</u>	<u>401</u>
	<i>For the six months ended 30 June</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Mortgage loans	330	357
Other loans secured by collateral	481	663
Total undiscounted ECL at initial recognition of POCI	<u>811</u>	<u>1,020</u>

Analysis of collateral and other enhancements

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

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

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

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

The main types of collateral obtained are as follows:

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

(millions of tenge)

14. Loans to customers (continued)

Analysis of collateral and other enhancements (continued)

As at 30 June 2020, loans net of ECL allowance overdue over 90 days amount to KZT 78,173 million (as at 31 December 2019: KZT 80,961 million). As at 30 June 2020, total fair value of collateral securing such loans, limited to the gross value of the respective loans, was equal to KZT 103,877 million (as at 31 December 2019: KZT 121,345 million).

Reposessed collateral

During the six-month period ended 30 June 2020, the Group reposessed collateral on loans to customers, represented by real estate, with a carrying amount totalling to KZT 3,191 million (six-month period ended 30 June 2019: KZT 4,699 million) by obtaining control over collateral for loans issued to customers (*Note 16*). The Group's policy assumes sale of these assets as soon as it is practicable.

Concentration of loans to customers

As at 30 June 2020, the concentration of loans issued by the Group to the ten largest independent borrowers amounted to KZT 118,169 million or 13.7% of the total loan portfolio (as at 31 December 2019: KZT 120,211 million or 14.0% of the total loan portfolio). ECL allowance for these loans is KZT 1,475 million (as at 31 December 2019: KZT 1,201 million).

Industry and geographical analysis of loans

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans to retail customers	460,821	470,138
Metallurgy	59,134	61,447
Wholesale trading	59,479	60,512
Real estate activities	48,644	50,495
Services provided by small and medium businesses	40,392	40,185
Retail services	38,029	33,624
Construction	31,714	34,082
Food industry	19,487	18,696
Financial services	18,311	15,748
Transportation	14,294	12,063
Production of crude oil and natural gas	6,317	6,763
Textile production	6,676	5,943
Production of metal goods	3,698	3,233
Agriculture	3,458	2,907
Manufacturing	2,445	2,429
Chemical industry	1,753	1,373
Post and communication services	1,075	1,111
Machine-engineering	568	462
Other	46,410	36,143
	<u>862,705</u>	<u>857,354</u>
ECL allowance	<u>(86,052)</u>	<u>(72,286)</u>
	<u>776,653</u>	<u>785,068</u>

During the six months ended 30 June 2020, the Group has modified the terms and conditions of certain mortgage and consumer loans, including introduction of payment holidays, as part of the measures introduced by the government related to consequences of COVID-19 pandemic.

As at 30 June 2020, the Group introduced certain changes in its process of estimation of expected credit losses in the context of the ongoing COVID-19 pandemic. In particular, it has revised indicators of significant increase in credit risk and does not automatically consider the credit risk to have significantly increased in the case of a loan modification being part of the government support measures. The Group also updated forward looking information, including forecasts of macroeconomic indicators and scenarios' weights. The Group applied additional sectoral overlays based on ratings shift or stressed parameters to reflect appropriately the uncertainty associated with the spread of COVID-19 pandemic (*Note 2*).

*(millions of tenge)***14. Loans to customers (continued)**

Industry and geographical analysis of loans (continued)

The credit loss expense increased by KZT 3,797 million for the six months ended 30 June 2020 due to the changes described above.

During the six-month period ended 30 June 2020, loss from modification of terms of loans to customers in the form of introduction payment holidays, as a part of the measures introduced by the government related to the spread of the COVID-19 pandemic amounted to KZT 1,735 million.

15. Investment securities

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Debt investment securities measured at amortised cost		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	20,428	19,398
Bonds of foreign countries rated from BB- to BB+	815	771
Total government bonds	21,243	20,169
Corporate bonds		
Rated from BBB- to BBB+	81,288	76,655
Rated from BB- to BB+	167,509	160,266
Total corporate bonds	248,797	236,921
Bonds of banks		
Rated from B- to B+	5,012	4,760
Total bonds of banks	5,012	4,760
Investment securities measured at amortised cost before ECL allowance	275,052	261,850
ECL allowance	(1,035)	(808)
Investment securities measured at amortised cost	274,017	261,042
	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Debt securities at FVOCI		
Government bonds		
Notes of the NBRK rated BBB-	168,662	265,726
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan rated BBB-	173,963	90,793
Bonds of the Sultanate of Oman rated BB	1,207	1,156
Total government bonds	343,832	357,675
Corporate bonds		
Rated from AA- to AA+	–	794
Rated from BBB- to BBB+	39,396	36,517
Total corporate bonds	39,396	37,311
Bonds of banks		
Rated from A- to A+	8,687	8,259
Rated from BBB- to BBB+	15,322	18,723
Rated from BB- to BB+	37,004	30,521
Rated from B- to B+	4,210	5,935
Total bonds of banks	65,223	63,438
Investment securities measured at FVOCI	448,451	458,424

(millions of tenge)

15. Investment securities (continued)

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

Presented below are investment securities at FVOCI, which were pledged under the repo transactions entered into at KASE:

	30 June 2020 (unaudited)	31 December 2019
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	31,302	44,238
Corporate bonds of Kazakhstan Sustainability Fund JSC	1,031	–
Corporate bonds of Baspana JSC	988	15,185
Notes of the NBRK	–	59,667
	33,321	119,090

In September 2019 the Group acquired bonds of NAC Kazatomprom JSC, indexed to US Dollar and maturing on 11 November 2019 with a nominal value of KZT 70,000 million, which were sold in September 2019. In September 2019, the Group purchased new bonds of NAC Kazatomprom JSC indexed to US Dollar and maturing on 27 October 2024 with a nominal value of KZT 70,000 million KZT and bearing a coupon of 4% per annum. The fair value of the bonds at initial recognition amounted to KZT 77,053 million measured using the effective interest rate of 1.89%. The Group classified these bonds as investment securities measured at amortised cost.

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

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

16. Other assets

Other assets comprise:

	30 June 2020 (unaudited)	31 December 2019
Other receivables from banking activities	13,393	12,323
Other receivables	15,608	17,472
	29,001	29,795
ECL allowance	(2,952)	(3,014)
Other financial assets	26,049	26,781
Reposessed collaterals	59,951	59,684
Prepayments and other receivables	5,676	7,141
Prepaid taxes, other than corporate income tax	2,755	2,630
Inventories held for sale	2,094	5,648
Inventories	806	624
Investment property	583	592
Other	84	65
	71,949	76,384
Allowance for impairment	(92)	(122)
Other non-financial assets	71,857	76,262
Total other assets	97,906	103,043

During the six-month period ended 30 June 2020, the Group took possession of collaterals with a total value of KZT 3,191 million (six-month period ended 30 June 2019: KZT 4,699 million). Even though the Group is currently working actively to sell reposessed collateral held for sale, most of them have not been sold within short period of time. Management still intends to sell the reposessed collateral.

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

Current accounts and deposits of customers comprise the following:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Current accounts and demand deposits		
- Retail customers	78,122	77,686
- Corporate customers	396,755	366,126
Term deposits		
- Retail customers	455,916	502,476
- Corporate customers	376,862	326,046
Guarantee deposits		
- Retail customers	17,897	23,538
- Corporate customers	50,477	41,077
	<u>1,376,029</u>	<u>1,336,949</u>
Held as security against letters of credit and guarantees (<i>Note 24</i>)	(1,405)	(1,689)

Concentration of current accounts and deposits of customers

As at 30 June 2020, total amount of account balances of top 10 clients amounted to KZT 251,893 million or 18.3% of total current accounts and deposits of customers (as at 31 December 2019: KZT 193,526 million or 14%).

As at 30 June 2020, current accounts and deposits of customers include customer accounts of individuals in the amount of KZT 241,335 million (as at 31 December 2019: KZT 245,716 million), which are subject to limited insurance coverage by KFGD on behalf of the government.

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

18. Amounts due to banks and other financial organizations

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Loans from governmental organizations	76,142	82,990
Liabilities due to Kazakhstan Sustainability Fund JSC	58,398	27,272
Loans from other financial organizations	22,930	7,543
Current accounts and deposits of banks	44	1
	<u>157,514</u>	<u>117,806</u>

As at 30 June 2020, loans from governmental organizations include loans from Entrepreneurship Development Fund "Damu" JSC and Development Bank of Kazakhstan JSC in the amount of KZT 57,467 million and KZT 15,989 million respectively (as at 31 December 2019: KZT 68,136 million and KZT 10,984 million, respectively), as part of the state program for support of small and medium-sized businesses by the banking sector. The loans are denominated in KZT, bear interest rates of 1.00%-9.58% per annum and mature in 2020-2035.

As at 30 June 2020, loans from governmental organizations also include deposits in the amount of KZT 31,727 million (as at 31 December 2019: KZT 27,272 million) received from Kazakhstan Sustainability Fund JSC as part of the governmental program for refinancing of mortgage and housing loans to customers. The deposits are denominated in tenge, bear nominal interest rates of 0.10%-2.99% per annum and mature in 2038.

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

(millions of tenge)

18. Amounts due to banks and other financial organizations (continued)

The Bank's liabilities due to KSF include amounts allocated KSF in favor of the Bank to support small and medium businesses as part of the implementation of measures introduced by the government due to the consequences of the COVID-19 pandemic. The accrual and payment of interest are not provided until the moment these funds are utilized by the Bank (Note 12).

As at 30 June 2020, loans from other financial organizations include loans in the amount of KZT 22,930 million (as at 31 December 2019: KZT 3,267 million) received from European Bank for Reconstruction and Development as part of the program for supporting of investments in micro, small and medium businesses in the Republic of Kazakhstan and Women in Business program. The loans are denominated in tenge, bear interest rate of 7.05-9.25% per annum and mature in 2020-2023.

19. Debt securities issued

The carrying amount of debt securities issued included the following:

	<i>Maturity</i>	<i>Coupon rate</i>	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Bonds in US dollars				
Bonds issued in 2019	2022	3.00%	17,425	14,946
Eurobonds issued in 2010	2022	14.00%	14,529	13,757
			<u>31,954</u>	<u>28,703</u>
Bonds in tenge				
Bonds issued in 2018	2024	4.00%	158,405	148,755
Bonds issued in 2015	2025	10.13%	48,097	47,813
Bonds issued in 2010	2020	8% (1% + inflation index)	–	3,992
			<u>206,502</u>	<u>200,560</u>
			<u>238,456</u>	<u>229,263</u>

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

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

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

20. Subordinated debt

Subordinated debt comprises the following:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Subordinated debt securities issued	20,503	22,648
Long-term loans in tenge	1,936	1,919
Long-term loans in US Dollars	392	364
Debt component of preferred shares	1,020	1,020
	<u>23,851</u>	<u>25,951</u>

As at 30 June 2020 and 31 December 2019, subordinated debt securities include subordinated bonds in tenge, maturing in 2020-2031 with a fixed coupon rate of 8% per annum. The coupon is paid semi-annually.

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

(millions of tenge)

20. Subordinated debt (continued)

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the obligation to distribute dividends is shown as a liability and the balance of the issue proceeds as equity. For the six-month periods ended 30 June 2020 expenses on dividends accrued on preferred shares amounted to KZT 40 million (for the six-month period ended 30 June 2019: KZT 40 million) and were classified as interest expenses in accordance with IAS 32.

On 14 April 2020 the Bank redeemed subordinated debt securities issued amounting to KZT 2,289 million.

21. Share capital

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

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

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

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

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

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

22. Earnings per share

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

	<i>For the three months ended 30 June 2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Net profit attributable to shareholders of the Bank	10,265	9,562
Weighted average number of common shares for the three-month period ended 30 June	88,995,268,392	90,021,013,921
Basic and diluted earnings per share, in tenge	0.12	0.11
	<i>For the six months ended 30 June 2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Net profit attributable to shareholders of the Bank	31,046	16,040
Weighted average number of common shares for the six-month period ended 30 June	89,238,948,866	90,577,491,071
Basic and diluted earnings per share, in tenge	0.35	0.18

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

(millions of tenge)

23. Capital management

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

As at 30 June 2020 and 31 December 2019, the Bank had complied in full with all its externally imposed capital requirements.

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

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

The NBRK sets and monitors capital requirements for the Bank.

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

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

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

The following table shows the composition of the Bank's capital position calculated in accordance with the NBRK requirements as at 30 June 2020 and 31 December 2019:

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Tier 1 capital	217,323	212,322
Tier 2 capital	15,534	16,601
Total capital	<u>232,857</u>	<u>228,923</u>
Risk-weighted statutory assets, contingent liabilities, operational and market risk	1,135,086	1,251,120
Ratio k1	19.1%	17.0%
Ratio k1-2	19.1%	17.0%
Ratio k2	20.5%	18.3%

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

24. Commitments and contingencies

Political and economic environment

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

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

(millions of tenge)

24. Commitments and contingencies (continued)

Political and economic environment (continued)

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

Credit related commitments

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

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

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

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

	<i>30 June 2020 (unaudited)</i>	<i>31 December 2019</i>
Undrawn loan commitments	103,314	139,352
Guarantees issued	52,559	44,209
Letters of credit	258	223
	<u>156,131</u>	<u>183,784</u>
Less: current accounts and deposits of customers, held as security against letters of credit and guarantees (<i>Note 17</i>)	(1,405)	(1,689)
Less: ECL allowance	(433)	(299)
	<u>154,293</u>	<u>181,796</u>

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

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

Legal proceedings

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

Taxation contingencies

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

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities in these interim condensed consolidated financial statements based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these interim condensed consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(millions of tenge)

25. Related party transactions

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

Total remuneration to members of the Management Board and the Board of directors included in general and administrative expenses for the three-month and six-month periods ended 30 June 2020 and 2019 is as follows:

	For three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Members of the Board of Directors and the Management Board of the Group	2,295	329	2,491	507
	2,295	329	2,491	507

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

As at 30 June 2020, total Group's liabilities on remuneration payments to the members of the Board of Directors and the Management Board were equal to KZT 121 million (as at 31 December 2019: KZT 1,834 million) and, in accordance with the Decree of the NBRK No. 74 dated 24 February 2012, should be paid during the period of not less than three years, under the specific conditions.

Transactions with related parties

Other related parties in the table below include key management personnel and entities jointly controlled by key management personnel. The outstanding balances and the average effective interest rates as at 30 June 2020 and related profit or loss for the three-month and six-month periods ended 30 June 2020 from transactions with related parties are as follows:

	30 June 2020 (unaudited)						
	Shareholders		Entities under common control		Other related parties		Total
	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge	Average effective interest rate, (%)	In million tenge
Assets							
Loans to customers	–	–	–	–	4,147	5.00	4,147
Other assets	–	–	99	–	1	–	100
Liabilities							
Current accounts and deposits of customers	17,353	1.20	11,865	1.04	16,933	0.33	46,151
Subordinated debt	–	–	–	–	1,040	8.00	1,040
Other liabilities	–	–	78	–	–	–	78
Contingent liabilities	–	–	–	–	20,300	–	20,300

	For the three months ended 30 June 2020 (unaudited)			
	Entities under common control			
	Shareholders		Other related parties	Total
Income/(expense)				
Interest income	—	—	93	93
Interest expense	(62)	(19)	(137)	(218)
Fee and commission income	—	8	4	12
Other expenses	—	(39)	(843)	(882)

(millions of tenge)

25. Related party transactions (continued)

Transactions with related parties (continued)

For the six months ended 30 June 2020
(unaudited)

	Shareholders	Entities under common control	Other related parties	Total
Income/(expense)				
Interest income	–	–	152	152
Interest expense	(89)	(36)	(141)	(266)
Fee and commission income	1	19	6	26
Other expenses	–	(66)	(853)	(919)

The outstanding balances and the related average effective rates as at 31 December 2019, and related income or loss from transactions with related parties for the three months ended 30 June 2019 are as follows:

31 December 2019

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

For the three months ended 30 June 2019
(unaudited)

	Shareholders	Entities under common control	Other related parties	Total
Income/(expense)				
Interest income	–	96	4	100
Interest expense	(13)	(26)	(80)	(119)
Fee and commission income	–	10	19	29
Net gains from foreign currencies	–	–	78	78
Other expenses	–	(52)	(4)	(56)

For the six months ended 30 June 2019
(unaudited)

	Shareholders	Entities under common control	Other related parties	Total
Income/(expense)				
Interest income	–	96	6	102
Interest expense	(64)	(36)	(114)	(214)
Fee and commission income	–	14	21	35
Net gains from foreign currencies	–	–	78	78
Other income	–	1	–	1
Other expenses	–	(57)	–	(57)

(millions of tenge)

26. Segment analysis

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

- Corporate business (CB) – includes issuance of loans, attracting deposits, settlement and cash services, transactions on guarantees and other transactions with corporate clients (large legal 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 organizations, issuance of bonds, subordinated debt), securities transactions, use of derivative financial instruments and foreign currency transactions.
- Other – other transactions with debtors/creditors, fixed assets, amounts on transit accounts and other transactions that are not related to segments / business lines (CB, SMB, RB, Investing activities).

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 Group.

	30 June 2020 (unaudited)					
	CB	SMB	RB	Investing activities	Other	Total
Assets						
Cash and cash equivalents	95,734	65,564	109,929	–	49,065	320,292
Amounts due from financial organisations	–	–	–	74,104	–	74,104
Trading securities	–	–	–	6,695	–	6,695
Loans to customers	133,905	216,096	362,796	–	63,856	776,653
Investment securities	–	–	–	722,468	–	722,468
Property and equipment	–	–	–	–	72,206	72,206
Intangible assets	–	–	–	–	10,635	10,635
Other assets	46	1,135	2,824	46	93,855	97,906
Total assets	229,685	282,795	475,549	803,313	289,617	2,080,959
Liabilities						
Current accounts and deposits of customers	488,114	329,253	558,634	–	28	1,376,029
Amounts due to banks and other financial organisations	9,568	108,674	5,783	5,889	27,600	157,514
Amounts payable under repurchase agreements	–	–	–	32,710	–	32,710
Debt securities issued	–	–	17,382	158,406	62,668	238,456
Deferred income tax liabilities	–	–	–	1,073	3,660	4,733
Subordinated debt	–	–	–	3,348	20,503	23,851
Other liabilities	64	383	932	185	9,729	11,293
Total liabilities	497,746	438,310	582,731	201,611	124,188	1,844,586
Equity						
Share capital	–	–	–	–	332,815	332,815
Treasury shares	–	–	–	–	(5,260)	(5,260)
Additional paid-in capital	–	–	–	–	21,109	21,109
Fair value reserve	–	–	–	–	4,165	4,165
Accumulated losses	–	–	–	–	(116,456)	(116,456)
Total equity attributable to shareholders of the Bank	–	–	–	–	236,373	236,373

(millions of tenge)

26. Segment analysis (continued)

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

(millions of tenge)

26. Segment analysis (continued)

Information on the main reporting segments for the three-month and six-month period ended 30 June 2020 and 2019 is presented as follows:

	<i>For the three months ended 30 June 2020</i> <i>(unaudited)</i>					<i>Total</i>
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	
Interest income	2,543	6,356	18,046	12,991	4,691	44,627
Interest expense	(3,824)	(2,022)	(5,849)	(5,216)	(4,654)	(21,565)
Net interest income	(1,281)	4,334	12,197	7,775	37	23,062
Fee and commission income	645	3,688	3,119	24	(24)	7,452
Fee and commission expense	(722)	(930)	(1,270)	(92)	(47)	(3,061)
Net losses from financial instruments at fair value through profit or loss	–	(11)	(16)	(552)	(62)	(641)
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	22	–	22
Net gains/(losses) from foreign currencies	912	1,703	897	5,695	(5,642)	3,565
Net gain on derecognition of financial liabilities as a result of modification	(5)	–	(493)	–	498	–
Other income	–	181	83	125	988	1,377
Non-interest income	830	4,631	2,320	5,222	(4,289)	8,714
Reversal of allowance for expected credit losses / (credit loss expense)	184	(521)	(5,647)	130	(3,849)	(9,703)
General and administrative expenses	(768)	(2,551)	(5,520)	(342)	(1,819)	(11,000)
Other expenses	(16)	(268)	(1,561)	(15)	(1,439)	(3,299)
Non-interest expense	(600)	(3,340)	(12,728)	(227)	(7,107)	(24,002)
(Loss)/profit before corporate income tax expense	(1,051)	5,625	1,789	12,770	(11,359)	7,774
Corporate income tax benefit/(expense)	–	1,115	682	762	(68)	2,491
(Loss)/profit for the period	(1,051)	6,740	2,471	13,532	(11,427)	10,265

(millions of tenge)

26. Segment analysis (continued)

	<i>For the six months ended 30 June 2020</i>					
	<i>(unaudited)</i>					
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	4,723	12,890	37,233	26,973	7,888	89,707
Interest expense	(9,658)	(4,263)	(12,681)	(10,986)	(6,386)	(43,974)
Net interest income	(4,935)	8,627	24,552	15,987	1,502	45,733
Fee and commission income	1,055	7,713	6,733	78	350	15,929
Fee and commission expense	(909)	(2,260)	(3,043)	(139)	(188)	(6,539)
Net losses from financial instruments at fair value through profit or loss	–	(11)	(16)	(159)	(62)	(248)
Net gains on derecognition of investment securities at fair value through other comprehensive income	–	–	–	23	–	23
Net gains/(losses) from foreign currencies	1,851	3,500	2,194	1,925	(3,122)	6,348
Net gain on derecognition of financial liabilities as a result of modification	–	–	–	–	17,956	17,956
Other income	–	202	151	125	1,791	2,269
Non-interest income	1,997	9,144	6,019	1,853	16,725	35,738
Credit loss expense	(98)	(944)	(11,245)	(472)	(5,565)	(18,324)
General and administrative expenses	(1,184)	(5,058)	(11,386)	(809)	(3,756)	(22,193)
Other expenses	(29)	(431)	(2,365)	(25)	(3,278)	(6,128)
Non-interest expense	(1,311)	(6,433)	(24,996)	(1,306)	(12,599)	(46,645)
(Loss)/profit before corporate income tax expense	(4,249)	11,338	5,575	16,534	5,628	34,826
Corporate income tax expense	–	(69)	(102)	(18)	(3,591)	(3,780)
(Loss)/profit for the period	(4,249)	11,269	5,473	16,516	2,037	31,046

(millions of tenge)

26. Segment analysis (continued)

<i>For the three months ended 30 June 2019</i> <i>(unaudited)</i>						
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	2,407	5,655	15,188	12,111	4,221	39,582
Interest expense	(3,340)	(1,384)	(7,495)	(310)	(9,110)	(21,639)
Net interest (expense)/income	(933)	4,271	7,693	11,801	(4,889)	17,943
Fee and commission income	262	3,317	4,392	29	–	8,000
Fee and commission expense	(3)	(1,018)	(1,352)	(72)	–	(2,445)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(1,344)	–	(1,344)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(76)	–	(76)
Net gains/(losses) from foreign currencies	936	1,084	642	(122)	(3,067)	(527)
Other (expense)/income	–	(1)	110	–	909	1,018
Non-interest income/(expense)	1,195	3,382	3,792	(1,585)	(2,158)	4,626
Reversal of credit loss allowances / (credit loss expense)	374	(39)	(4,631)	252	4,457	413
General and administrative expenses	(454)	(1,955)	(5,323)	(374)	(1,633)	(9,739)
Other income/(expenses)	95	(58)	(711)	(8)	(2,041)	(2,723)
Non-interest income/(expense)	15	(2,052)	(10,665)	(130)	783	(12,049)
Profit/(loss) before corporate income tax expense	277	5,601	820	10,086	(6,264)	10,520
Corporate income tax expense	–	–	–	–	(971)	(971)
Profit/(loss) for the period	277	5,601	820	10,086	(7,235)	9,549
<i>For the six months ended 30 June 2019</i> <i>(unaudited)</i>						
	<i>CB</i>	<i>SMB</i>	<i>RB</i>	<i>Investing activities</i>	<i>Other</i>	<i>Total</i>
Interest income	4,739	10,722	29,291	23,237	6,494	74,483
Interest expense	(6,198)	(2,542)	(14,268)	(639)	(17,293)	(40,940)
Net interest (expense)/income	(1,459)	8,180	15,023	22,598	(10,799)	33,543
Fee and commission income	494	5,987	7,440	43	–	13,964
Fee and commission expense	(11)	(1,661)	(2,590)	(110)	–	(4,372)
Net losses from financial instruments at fair value through profit or loss	–	–	–	(1,963)	–	(1,963)
Net losses on derecognition of investment securities at fair value through other comprehensive income	–	–	–	(53)	–	(53)
Net gains/(losses) from foreign currencies	1,710	1,888	1,080	299	(4,692)	285
Other income	–	–	164	–	1,654	1,818
Non-interest income/(expense)	2,193	6,214	6,094	(1,784)	(3,038)	9,679
Reversal of credit loss allowances / (credit loss expense)	777	(11)	(7,300)	374	4,759	(1,401)
General and administrative expenses	(964)	(4,035)	(10,098)	(961)	(3,230)	(19,288)
Other expenses	(7)	(113)	(1,348)	(18)	(3,100)	(4,586)
Non-interest expense	(194)	(4,159)	(18,746)	(605)	(1,571)	(25,275)
Profit/(loss) before corporate income tax expense	540	10,235	2,371	20,209	(15,408)	17,947
Corporate income tax expense	–	–	–	–	(1,902)	(1,902)
Profit/(loss) for the period	540	10,235	2,371	20,209	(17,310)	16,045

(millions of tenge)

27. Fair values of financial instruments

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2020:

30 June 2020 (unaudited)					
<i>Assets and liabilities measured at fair value</i>	<i>Assets and liabilities for which fair value is disclosed</i>	<i>Total carrying amount</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	
Cash and cash equivalents	–	320,292	320,292	320,292	–
Amounts due from financial organizations	–	74,104	74,104	74,104	–
Trading securities	6,695	–	6,695	6,695	–
Loans to customers	–	776,653	776,653	779,053	2,400
Investment securities at FVOCI	448,451	–	448,451	448,451	–
Investment securities at amortised cost	–	274,017	274,017	291,166	17,149
Other financial assets	–	26,049	26,049	26,049	–
	455,146	1,471,115	1,926,261	1,945,810	19,549
Current accounts and deposits of customers	–	1,376,029	1,376,029	1,376,977	(948)
Amounts due to banks and other financial organizations	–	157,514	157,514	148,293	9,221
Amounts payable under repurchase agreements	–	32,710	32,710	32,710	–
Debt securities issued	–	238,456	238,456	257,485	(19,029)
Subordinated debt	–	23,851	23,851	24,068	(217)
Other financial liabilities	–	8,662	8,662	8,662	–
	–	1,837,222	1,837,222	1,848,195	(10,973)
					8,576

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

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

(millions of tenge)

27. Fair values of financial instruments (continued)

Accounting classification and fair values (continued)

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

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

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

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

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

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

Assets for which fair value approximates carrying value

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

Financial assets and financial liabilities carried for at amortised cost

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

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

- To discount the future cash flows from loans to corporate customers a discount rate in the range from 5.20% p.a. to 12.22% p.a. (as at 31 December 2019: 3.69% p.a. to 13.96% p.a.) was used;
- To calculate the future cash flows from loans to individuals a discount rate in the range from 0.09% p.a. to 21.19% p.a. (as at 31 December 2019: 3.76% p.a. to 22.85% p.a.) was used.

Fair value hierarchy

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

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

(millions of tenge)

27. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

The following table analyses financial instruments carried at fair value as at 30 June 2020, by fair value hierarchy, into which the fair value measurement is categorised. The amounts are based on amounts carried in the interim condensed consolidated statement of financial position.

	<i>Notes</i>	<i>30 June 2020 (unaudited)</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	13	5,256	–	1,439	6,695
Investment securities at FVOCI	15	343,832	104,619	–	448,451
		<u>349,088</u>	<u>104,619</u>	<u>1,439</u>	<u>455,146</u>

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

	<i>Notes</i>	<i>31 December 2019</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Assets					
Trading securities	15	5,102	–	1,350	6,452
Investment securities at FVOCI	17	357,675	100,749	–	458,424
		<u>362,777</u>	<u>100,749</u>	<u>1,350</u>	<u>464,876</u>

The following table analyses financial instruments not measured at fair value but for which fair value is disclosed as at 30 June 2020 by fair value hierarchy:

		<i>30 June 2020 (unaudited)</i>			<i>Total fair value</i>	<i>Total carrying value</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>		
Assets						
Cash and cash equivalents		–	320,292	–	320,292	320,292
Amounts due from financial organizations		–	74,104	–	74,104	74,104
Loans to customers		–	–	757,091	757,091	776,653
Investment securities at amortised cost	24,779	–	266,387	–	291,166	274,017
Other financial assets		–	26,049	–	26,049	26,049
Liabilities						
Current accounts and deposits of customers		–	1,376,977	–	1,376,977	1,376,029
Amounts due to banks and other financial organizations		–	148,293	–	148,293	157,514
Amounts payable under repurchase agreements		–	32,710	–	32,710	32,710
Debt securities issued		–	257,485	–	257,485	238,456
Subordinated debt		–	24,068	–	24,068	23,851
Other financial liabilities		–	8,662	–	8,662	8,662

(millions of tenge)

27. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

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

	31 December 2019				<i>Total carrying value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>	
Assets					
Cash and cash equivalents	—	347,242	—	347,242	347,242
Amounts due from financial organizations	—	28,205	—	28,205	28,205
Loans to customers	—	—	792,513	792,513	785,068
Investment securities at amortised cost	23,105	268,208	—	291,313	261,042
Other financial assets	—	26,781	—	26,781	26,781
Liabilities					
Current accounts and deposits of customers	—	1,338,691	—	1,338,691	1,336,949
Amounts due to banks and other financial organizations	—	112,293	—	112,293	117,806
Amounts payable under repurchase agreements	—	116,741	—	116,741	116,741
Debt securities issued	—	260,546	—	260,546	229,263
Subordinated debt	—	26,562	—	26,562	25,951
Other financial liabilities	—	9,048	—	9,048	9,095

28. Events after the end of the interim period

On 29 July 2020 the Bank established a subsidiary ForteFinance JSC, where the Bank is the only shareholder. On 4 August 2020, the Bank made an initial contribution to its share capital in the amount of KZT 3,500 million. The main activities of ForteFinance JSC will be brokerage and dealer activities on the securities market, as well as investment portfolio management activities without the right to attract voluntary pension contributions. ForteFinance JSC will be entitled to carry out the above activities only after obtaining the appropriate license.

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

On 5 August 2020 the Bank repurchased debt securities for the nominal value of USD 3 million (equivalent of KZT 1,256 million) issued on 5 August 2019 at Astana International Exchange.